FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,082 · Wednesday May 25 1983

The breakdown in Britain's defence consensus, Page 14

NEWS SUMMARY

GENERAL

Protest violence flares in Paris

Violence increased in central Paris yesterday when students and police clashed near the National Assembly at the opening of the debate on university reform.

Students erected barricades, and police used tear gas. The violence had been expected, as protests have increased.

Inside the Assembly there were moments of uproar. The Parliament building was virtually under siege, with thousands of police on duty. One student and teacher organisation mustered over 10,000 protesters. Page 16

Soares seeks time

Portuguese Socialist leader Mario Soares has asked President Antonio Eanes to wait until the end of the week before asking him to form a government, so that he can have more time to frame a coalition agreement with the Social Democrats. Page 3

Norway reshuffle

Norway's minority Conservative Government may soon be reorganised to include members of the small Christian Democrat and Centre parties, whose support has kept the Government in office. Page 2

Brussels bomb attack

Armenian guerrillas said they had carried out a bomb attack on a Turkish travel office in Brussels.

Israel doctors back

Israeli doctors agreed on a limited return to work, but said there would be another all-out strike if their pay demands were not met soon.

Rebels' success

Guerrillas advancing from Honduras have cut off the Nicaraguan town Jalapa after heavy fighting. Page 5

CIA disowns forecast

CIA director William Casey, in a rare public statement in Washington, denied forecasting that U.S.-backed rebels could overthrow Nicaragua's Sandinista government by the end of the year.

S. African warning

South Africa's United Nations delegate Kurt von Schirnding, speaking in the Security Council Namibia debate, said his country would pursue a tough line against terrorism, with its neighbours and the UN. That followed condemnations of the South African reprisal raid on Maputo.

Kidnapper scared

The kidnapper of a top Polish cyclist's eight-year-old daughter sent her home in a taxi because he was scared of the fuss made in newspapers, said Polish news agency Pap.

$700m drug arrests

Ten people were arrested in the U.S. and two in Australia, charged with smuggling $700m worth of marijuana into the U.S.

Radio Moscow hitch

Radio Moscow blamed announcer Vladimir Danchev for three bulletins in which Afghans were praised for fighting against "Soviet invaders."

Briefly . . .

Brescia Italy: Fourteen people died when a coach carrying pilgrims to a shrine crashed.

Queen Elizabeth and Prince Philip will be rowed into Stockholm harbour in a golden barge today on a state visit to Sweden.

Jamaica: 18 Nicaraguans asked for asylum.

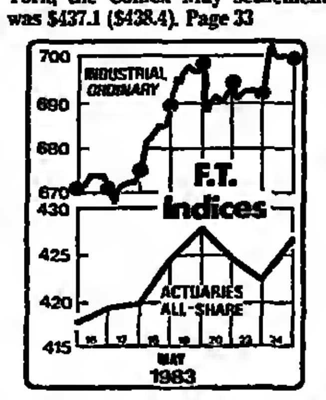
BUSINESS

Election hopes push £ to peak

● STERLING was boosted in foreign exchange markets to its highest overall rate since January by growing confidence in a Conservative general election victory. Its Bank of England trade-weighted index rose from 84.3 to 85.2. It went up 1.3c to $1.569, to DM 3.91 (DM 3.87), FFr 11.7175 (FFr 11.625), SwFr 3.265 (SwFr 3.24) and Y371 (Y367). Report, Page 16; currency movements, Page 36

● WALL STREET closed sharply higher with the Dow Jones Industrial Average 18.48 ahead at 1219.04, on a volume of about 109m shares. The rally was led by blue chip and transportation shares. Money Markets, Page 29.

● GOLD rose $3 in London to $436.5. It closed at $436.75 in Frankfurt and $437.5 in Zurich. In New York, the Comex May settlement was $437.1 ($438.4). Page 33



● LONDON: FT Industrial Ordinary index rose 7.4 to 699.8. Government Securities showed small increases. The FT Actuaries index gained 1 per cent to close at 426.91. Page 29. FT Share Information Service, Pages 30-35

● STERLING rose $1.3c to $1.569, and to DM 3.91 (DM 3.87), FFr 11.7175 (FFr 11.625), SwFr 3.265 (SwFr 3.24) and Y371 (Y367). Its Bank of England trade-weighted index rose from 84.3 to 85.2. In New York it closed at $1.5690. Page 36

● DOLLAR rose to DM 2.49 (DM 2.487), and Y236.3 (Y235.75), but fell to FFr 7.47 (FFr 7.4725) and SwFr 2.079 (SwFr 2.0815). Its trade weighting eased from 123.4 to 123.3. In New York it closed at DM 2.495; FFr 7.4805; SwFr 2.0785; and Y236.70. Page 36

● HONG KONG dollar fell to a record low of 7.095 to the U.S. dollar. Page 4

● TOKYO: Nikkei Dow index gained 34.87 at 8,563.51. Stock Exchange index was 1.82 up at 630.85. Page 29. Leading prices, other exchanges. Page 32

● NIGERIA: Western banks have reached broad agreement about rescheduling $1.5bn debts, say New York banking sources.

● U.S. CRUDE oil imports averaged 2.85m barrels a day in April, 2.7 per cent up on 1982.

● U.S. CONSUMER price index rose by 0.6 per cent in April after five months in which it fell by an overall 0.2 per cent.

● U.S. COMMERCE Secretary Malcolm Baldrige said he hoped talks next month would solve the textile trade dispute with China. Page 6

● GRAIN: 1983 world production estimate is at least 65m tonnes below last year's record 1.7bn tonnes, said the International Wheat Council.

● FIAT, the Italian motor-based conglomerate announced 1982 net profits 14.4 per cent up at L111bn ($75.1m). One third of its 1980-85 spending is earmarked for Lancia. Page 17

● ICL, leading UK computer maker, reported first-half profits of £12.5m ($19.6m), compared with a loss of £13.5m a year before. Lex, Page 16; Report, Page 8; Details Page 22

BRETTON WOODS CALL 'PREMATURE'

Regan confident exchange rate stability lies ahead

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE REAGAN Administration yesterday expressed confidence that a new period of international exchange rate stability lay ahead with the emergence of non-inflationary recovery in a number of leading Western economies.

Mr Donald Regan, the U.S. Treasury Secretary, said such stability would remove the need for setting new fixed exchange rates for currencies, as called for by President François Mitterrand of France.

Mr George Shultz, the U.S. Secretary of State, said there was "a pretty good opportunity" for greater exchange rate stability because underlying international economic conditions were becoming more stable.

With inflation rates down and the beginnings of expansion appearing in the West, exchange rates were likely to show parallel stabilisation. He thought a "strong collaborative pattern" on economic policy would emerge from the Williamsburg economic summit next weekend.

At a pre-summit briefing Mr Regan was non-committal about the French President's proposal for a new Bretton Woods conference to re-examine the world's exchange rate system. The U.S. would take a position on the issue only after it had heard what M Mitterrand had to say in Williamsburg.

He indicated, however, that he thought adequate monetary consultations were already taking place among the leading industrialised nations, and that the Bretton Woods proposal could be overtaken by events as currencies stabilised.

Mr Regan said calls for an immediate Bretton Woods-type conference were "premature" and that any such meeting would need long preparation. He pointed out that the original Bretton Woods conference in 1944 had taken three years to arrange and that more than 150 drafts of the final agreement had been considered during the preparations.

Reuter adds from Bonn: The Williamsburg talks will aim at co-ordinating foreign exchange intervention policies of the major industrialised countries, West German Government sources said.

The sources, who have been involved in working out the Williamsburg agenda, said the U.S. seemed ready to agree that there should be closely co-ordinated intervention to smooth out disorderly markets. Washington was not, however, in favour of such a policy to aid a single weak currency.

Thatcher to tackle Reagan at Williamsburg, Page 16; Editorial comment, Page 14; Wall Street feature, Page 5

EXPORTS WARNING

Mrs Margaret Thatcher is expected to warn President Ronald Reagan in a private meeting during the Williamsburg summit that his proposed export controls could fracture the Western alliance. The British Prime Minister wants to discuss nuclear disarmament and pledge her support for U.S. strategy, if her Government is re-elected on June 9.

No EEC budget rebate for UK before elections

BY JOHN WYLES IN BRUSSELS

MR FRANCIS PYM, the British Foreign Secretary, finally conceded defeat last night in his Government's efforts to secure a rebate on the UK's 1983 payments to the EEC budget before the British general election on June 9.

Having 10 days ago put forward a proposal for a two-thirds cut in the UK's estimated payment to Brussels this year of $1.9bn, Mr Pym yesterday ran into a wall of reluctance, built by France and Italy, to make any concessions without a reciprocal undertaking from the UK that it would be willing to allow an increase in the Community budget revenues.

The two issues – the 1983 rebate and future financing of the EEC – will be negotiated again by Community foreign ministers on June 13 in an attempt to prepare the ground for agreements at the heads-of-government summit in Stuttgart on June 17–19, recently postponed from June 6–7 because of the UK election.

Mr Pym, anxious about the impact of yet another Brussels budget deadlock on British public opinion, called a full-scale press conference last night to assert that yesterday's discussions had been "very constructive." He said he had not arrived in Brussels really expecting to win a deal but his optimism was now such that he thought it likely that "we will get a finalised agreement at Stuttgart on the rebate."

Despite suggestions from other delegations that Mr Pym had appeared to modify British opposition to the European Commission's proposal to raise the 1 per cent value-added tax ceiling on EEC budget revenues, the Foreign Secretary emphasised that the Government's position remained unchanged.

He said he would not accept any linkage between the rebate and raising the 1 per cent ceiling, which is based on the EEC's right to spend no more than 1 per cent of the value of retail sales in member states of a common basket of goods and services.

West Germany, as president of the EEC Council of Ministers, will now try to assemble the elements of a compromise package for discussion on June 13. Its basic problem remains how to reconcile Britain's insistence on an agreed rebate before the end of the month with pressure from most other member states for a positive orientation on raising the budget revenue ceiling.

British officials predict – but none too confidently – that once the election is out of the way, and assuming a Conservative victory, other governments will give way on the rebate in return for adoption by the Stuttgart summit of a procedural framework for urgently settling the long-term financing issue.

Continued on Page 16

UK election coverage, Page 9

P & O rejects 'derisory' bid from rival shipping group

BY CHARLES BATCHELOR IN LONDON

P&O, BRITAIN'S largest shipping company, yesterday rejected as derisory a £290m all-share takeover bid from Trafalgar House, the UK construction, property and transport group which owns the Cunard shipping line.

Trafalgar is offering five of its own ordinary shares for every £4 of P&O deferred stock. With Trafalgar's shares falling 5p yesterday to 183p ex-dividend, the offer valued each P&O deferred share at 203.75p. P&O's share price fell on news of the bid to 206p, rose later to 226p, but closed unchanged at 215p.

The Trafalgar offer, which had been widely expected since the company was forced last week to reveal that it had a 4.9 per cent holding in P&O, brings to three the number of major takeover bids launched so far this year.

BTR currently has a £660m offer on the table for Thomas Tilling and Hanson Trust has absorbed the UDS stores group for £230m.

The FT Industrial Ordinary share index yesterday mirrored the movement of the P&O share price, although the major direct influence was the performance of Wall Street on Monday. The index rose more than 10 points initially to reach 702.5. It fell back later, but was still 7.4 per cent up on the day at a new record closing of 699.8.

A successful takeover of P&O would leave the combined group with a dominant 10-15 per cent stake in the world cruise market, according to Mr Nigel Broackes, chairman of the Trafalgar group.

It would bring together Cunard's highly profitable Queen Elizabeth 2 and P&O's Canberra as joint flagships of a 12-strong fleet of cruise liners. It could also have considerable implications for the large container vessel fleets in which both companies have an interest.

P&O has a 47 per cent stake in Overseas Containers (OCL).

Trafalgar has 42.5 per cent of Associated Container Transportation (Australia).

Trafalgar's Trollope & Colls and Cementation interests would join P&O's Bovis to form a major force in the contracting and construction industry.

Mr Broackes said he would not be surprised if the bid was referred to the Monopolies and Mergers Commission because of the amount of assets involved. P&O has a net asset value – challenged by Trafalgar as being too high – of £462m against Trafalgar's £227m.

"We would not regard this as a particular setback. My present inclination is to take the bid through a referral. There are lots of things in the two companies which are complementary, but very few overlap. The fit is almost uncanny."

Lex, Page 16; Editorial comment, Page 14; Money Markets, page 29

Feldstein warns on money figures

By Anatole Kaletsky in Washington

THE REAGAN Administration is becoming increasingly concerned again about short-term movements in M-1, the nation's basic money supply. The Government's renewed anxiety follows a period in which its spokesmen have generally supported the Federal Reserve Board's efforts to persuade the markets that M-1 should be downplayed as a guide for monetary policy.

The primary concern in the White House is still to guard against monetary policy stifling economic recovery, but there is also disquiet about the possibility that the Fed may be putting too much emphasis on stabilising interest rates, rather than controlling monetary growth.

Mr Martin Feldstein, President Ronald Reagan's chief economic adviser, said yesterday that he was "nervous about the recent M-1 figures." These showed the measure of money supply jumping in the past two weeks by $11.6bn – equivalent to nearly 2.3 per cent of the total amount of money currently circulating in the U.S. economy.

The concern was not just with the M-1 numbers, which were still subject to large distortions and highly uncertain seasonal adjustments, Mr Feldstein said. The worries that "monetary policy may get too expansive," were also being fed by the past few weeks' rapid growth of money-market deposit accounts, which would show up in the broader M-2 figures, due to be published early next month.

"The danger is that at some point, by keeping a primary focus on interest rates – as monetary policy may have been doing in the last few months – you can move back unintentionally towards a more inflationary course," Mr Feldstein said.

On Monday Mr Donald Regan, the Treasury Secretary, also expressed "concern, but not alarm" about the recent rate of money-supply growth and suggested that the Fed should reduce the growth rate of M-1 to 6 per cent for the rest of this year.

Nevertheless Mr Feldstein's comments, coming after Mr Regan's, may be significant because, unlike the Treasury Secretary, Mr Feldstein has been a consistent supporter of the Federal Reserve's policies.

As a professional economist, he has never been aligned with the administration's "technical monetarists" such as Mr Beryl Sprinkel.

Money Markets, Page 29; Wall Street feature, Page 5; International Capital Markets; Page 28

France in oil deal to settle Iraq contracts

BY DAVID HOUSEGO IN PARIS

FRANCE appears to have accepted substantial quantities of oil in settlement of about FFr 13bn ($1.74bn) payments due from Iraq this year on civil and military contracts.

That emerged yesterday after the announcement by the French External Affairs Ministry that the two countries had agreed on outstanding financial issues. Both sides declined to provide details except to describe the accord as "satisfactory".

The announcement followed a secretive 48-hour visit to Paris by Mr Tareq Aziz, the Iraqi Deputy Premier, who saw M Claude Cheysson, the French Foreign Minister, on Monday. It came after several months' tortuous negotiations as a result of Iraq's difficulties in meeting its bills because of the Gulf war and declining oil revenues.

Officials say the breakthrough in the negotiations came on Mr Aziz's previous visit to Paris about two weeks ago. He then offered France payment in oil for debts falling due this year. Previously, Iraq had proposed that France purchase oil from Saudi Arabia, receipts from which would be credited to Iraq's name. But that three-way deal never materialised.

Mr Aziz indirectly confirmed the new Iraqi offer during his previous visit when he said in an interview that Iraq was proposing to sell France about 2.5m to 3.5m tons of oil. He claimed that that oil – believed to come from the Kirkuk fields – would settle some 90 per cent of the outstanding debt. The rest would be settled next year.

France has always remained reticent about the negotiations because of strong domestic opposition to providing favourable treatment for Iraq, which is seen as shielding Arab terrorist groups. It has also sought to safeguard the terms of any deal from commercial competitors. None the less, President François Mitterrand has strongly supported Iraq in its war against Iran.

French oil companies, which presumably will be called on to import the Iraqi crude, yesterday declined knowledge of any potential purchases from Iraq.

The FFr 13bn due this year covers mainly military supplies. But Iraq's total debt to France is much larger. Iraq purchased some FFr 27bn of military equipment from France in 1981-82 (corresponding to about 40 per cent of French arms sales in those years) and signed civil contracts of a similar value. Coface, the government-backed export credits agency, has provided guarantees on some FFr 35bn of civil and military contracts to Iraq.

Lloyds Intl. lowers loan growth targets

BY WILLIAM HALL IN NEW YORK

LLOYDS BANK International (LBI), one of the world's biggest international banks, has sharply reduced its planned lending growth this year, but still expects to increase overall international lending by the end of its financial year next September.

Mr. Norman Jones, group chief executive of the Lloyds Bank Group – LBI's parent – said in New York yesterday that the cutback was not connected with the international debt crisis.

"It was not anything to do with rescheduling or the international scene," said Mr Jones, who stressed that the adjustment in the bank's lending targets was purely a result of the need to keep its capital and gearing ratios on target.

LBI, in common with other UK banks, does much of its business in dollars but has a capital base largely in sterling, so is adversely affected by the decline in the sterling exchange rate, which puts its capital ratios under pressure.

Mr Jones was responding to a story in the Wall Street Journal based on a leaked internal bank memorandum which showed that LBI had cut its planned lending targets in the current year by more than $5bn, or nearly a fifth.

LBI won a court injunction to block publication of the memorandum in Europe, but the U.S. edition of the paper published the material because it felt it was "clearly in the public interest".

Mr Jones LBI had taken the unusual action of trying to block publication because "We resented very much that this was an internal document which we regarded as having been stolen from us."

Continued on Page 16

CONTENTS

EUROPEAN NEWS

Italy's Radicals climb down into election race

BY JOHN PHILLIPS IN ROME

ITALY's flamboyant Radical Party yesterday announced in a surprising move that it will put up candidates in the Italian general election next month after all, but urged supporters oot to vote for their libertarian grouping.

In a complicated volte-face, Sig Marco Pannella, leader of the small but vociferous party, apparently reneged on an earlier party congress vote in favour of boycotting the June 26-27 polls, instead calling on voters to spoil their ballot papers by writing specific slogans suggested by the Radicals

Observers said the turnround seemed motivated above all by financial considerations – the party relies beavily on the state subsidies its parliameotary group receives. Political experts also felt that with a boycott of elections, the party would have lost one of its principal vehicles for publicising its activities. The Radicals have consistently hit headlines in Italy after deploying noisy and sometimes violent filibustering tactics in parliament.

The Radicals' light-hearted approach to the election, apart from injecting some much-needed comic relief into an otherwise dull affair, bas served to underline the widespread public apathy at the prospect of the coming contest.

An opinion poll conducted recently indicated that more than 80 per cent of Italians are against the early elections coming before the summer holiday period. The polls, not otherwise due until next year, were brought forward after the Socialist leader, Sig Bettino Craxi, withdrew his party's support from the four-party coalition headed by the veteran Christian Democrat Prime Minister, Sig Amintore Fanfani.

Sig Marco Pannella: 'Don't vote for us'

The Radicals have described the electioo as "undemocratic", and that approach is consistent with their frequent complaints in the past against what they claim are inequities in the electoral system.

Bursting into a typically fiery speech, the silver-haired Sig Pannella yesterday declared that "no elections are democratic", adding that if any of his number are elected they would not participate in normal parliamentary life. "If any radicals were elected we would play in the 'non-parliament' according to rules that we would dictate ourselves," Sig Pannella said.

The Radicals have suggested voters should spoil their ballot papers with such slogans as "I am o worker" or "I am for peace." Whatever phrase is deemed appropriate, it now seems clear that the Radicals are to all intents and purposes back in the running for seats.

Their latest publicity stunt, in fact, may have improved their chances of enlarging on the 3.4 per cent share of the popular vote they won in the last general election in 1979.

Had the Radicals stuck to their original plan to withdraw from the election completely, some 1.5m votes would have been set free, probably to the benefit of the Communists and Socialists.

Founded in the 1950s, the Radicals took up the major civil rights issues of post-war Italy, leading the campaigns in favour of legalising abortion and divorce. Sig Pannella carved a name for himself with dramatic protests, including one staged in the Vatican gardens against anti-abortion legislation

Protest against tax measures

By Brendan Keenan in Dublin

WORKERS paraded with banners calling for tax equity outside the Irish Parliament as MPs began debate on the 1983 Finance Bill.

The Bill proposes new measures against tax evasion, including a requirement that businessmen and traders will have to put their tax reference number on any documents relating to amounts over I£5 ($6.50).

A spokesman for the Irish Federation of the Self-Employed said the rules should apply to everyone, not just businessmen. A Government source recalled that, after a similar scheme was introduced for doctors in Portugal, many practitioners offered two rates, according to whether a receipt was required.

The powers of the Irish taxman to inspect the records of banks and building societies have also been increased to cover income tax issues. The authorities would require a court order in cases where evasion is suspected.

New parties set to join Norwegian Government

BY FAY GJESTER IN OSLO

NORWAY'S minority Conservative Government may sooo be reorganised to include members of the two small non-socialist parties – the Christian Democrats and the Centre (Agrarian) Party – whose parliamentary support has kept the Conservatives in office since the 1981 general election.

The leaders of the two parties met Prime Minister Kåre Willoch and senior Conservative politicians yesterday to discuss what Mr Willoch called "the further developmeot of our co-operation."

A three-party coalition would have a majority in the Storting (parliament), with 79 seats out of 155. The Conservatives alone have only 53.

The meeting followed a speech a few days earlier by Centre Party chairman Johan J. Jakobsen calling for early talks about the formation of a coalition. He said the time had come for "changes in the form of co-operation between the three parties," and made it clear that these changes should lead to the formation of a three-party government.

Until now, the Christian Democrats have been reluctant to join the coalition because they disagree with the present law on abortion. Their national congress last month decided, however, that they could do so "if a particularly difficult parliamentary situation should arise."

Since the two smaller parties disagree with the Government on several important issues now before the Storting, this condition could perhaps apply. Both Centre Party and Christian Democrat MPs are becoming dissatisfied with the present arrangement, which gives them responsibility – in voters' eyes – for Conservative Government decisions, without giving them any influence over policy.

The Conservatives have always claimed that they would welcome the creation of a coalition. It would mean, however, that several ministers in Mr Willoch's Cabinet would have to step down

Soares' bid for delay in forming government

By Diana Smith in Lisbon

SR MARIO SOARES, the leader of the Portuguese Socialist Party, has asked President Antonio Ramalho Eanes to wait until the end of this week before inviting him to form a government. Once a formal invitation is extended, a government must be formed rapidly.

He has requested the delay to give him time to reach a solid overall political agreement with the Social Democrats — runners-up in the April general election—before tackling the issue of apportioning ministerial portfolios.

Speaking after his encounter with the President, Sr Soares stated gravely that in view of "the national emergency through which we are living dne to aggravation of our financial crisis, these political negotiations are not at all easy ... although we have made major progress."

Sr Soares said that Portugal's financial situation has deteriorated in an increasingly worrying manner.

"We no longer count financial difficulties ahead in years —we count them in months, perhaps even weeks," be said.

"We must take urgent, extremely grave measures be-

Sr Soares: "We have made major progress"

cause of our financial situation, and these call for national consensus. This means a minimum of joint responsibility among political parties regardless of whether they are in government or opposition."

Erosion of the country's external accounts by the strong U.S. dollar, international recession and loss of faith in government that led to mushroom growth of the black economy and serious trade imbalances, has caused serious cash flow problems this spring. These cannot really be resolved until a fully fledged government can devise a recovery programme.

Temporary relief should arrive by the week beginning June 6, when the Republic of Portugal should start to draw on the $300m syndicated Euroloan whose signature is expected in the first few days of next month. Syndication of this loan closed early this week after a difficult sell-down.

David Tonge and **Victor Walker** report on the apparent breakdown in talks on the sale of an oil refinery

Breach of promise, says Exxon, as Greek suitor shies away

EXXON is preparing to call off its Greek engagement. For the past 16 months it has been quietly discussing marrying off its loss-making refining operations in Northern Greece to the Greek Government. But at the last moment, the suitor has got cold feet, and Exxon has announced that its ageing daughter is now open to fresh offers.

One month ago it seemed that only the dowry remained tn be settled. Greek officials bad reached agreement in principle with Esso Pappas, the company's wholly-owned subsidiary in Greece, to buy its 3.5m tonne per year refinery, its petrochemical plants end its marketing operations. The company is believed to have reduced its asking price to between $27m and $30m. The Government seemed prepared to offer about two-thirds of this. At the end of last year, the net book value of Esso Pappas's assets was ebout $70m.

But Mr William Brunger, chairman and managing director of Esso Pappas, bas now told representatives of his 1,100 work force that be is forced to conclude the Government is not willing to go ahead with the deal. The company, he warned, could be "forced to seek buyers for the separate parts of its business." The refinery has heen closed for 20 days, the first time this has happened in its 17 years of operation.

Mr Evangelos Kouloumbis, Minister of Energy and Natural Resources, has rejected suggestions of indifference, insisting that negotiations are still going on. But the Government has failed to reply to two letters in which the company points out that for legal and other reasons, tt must plan ahead.

Its operating permit expires at the end of 1983 and Esso Pappas seem keen to keep to this date. Greek law requires six months notice of closure while, if the plant is to stay open, there are decisions which need to be taken now.

Oil economists in Athens believe the Government has begun to question whether the parties were suited in the first place. Some voices on the Left have been arguing that the only way for a Socialist Government to deal with a multi-national company is through expropriation—particularly when Mr Tom Pappas, the Greek American who founded the subsidiary, is widely remembered for his close relations with the colonels' dictatorship.

Others, on the Right, have been asking why Greece should buy a 17-year-old simpla refinery when West Europe bas an over-capacity of the more efficient complex conversion refineries.

Parts of the Greek Press heve argned that the refinery sbould be closed down because there is no problem in supplying Northern Greece with the 2m tonnes of oil products it needs every year. In the near future these products could come from tha export refineries In the Athens area owned by the Latsis and Vardinoyannis shipping groups.

From around 1986, the area could draw on the state's 5m tonne per year Aspropyrgos refinery. Its new $300m cracking facllities should be on stream by then, and the plara should be producing around 3.5m tonnes per year of high-value light oil products compared with its present 2.6m tonnes capacity. Greek demand for fuel oil is falling as major users, in particular the cement plants, convert to coal.

Exxon, needless to say, has a higher opinion of its daughter's charms. Oil economists argue that the refinery has a strong advantage because of the high unit costs involved in shipping oil products to Northern Greece in small tankers compared with the low cost of shipping crude to be processed in larger vessels.

Even more valuable they say, could he the surplus fuel oil produced in the Salonika refinery. Their view is that the new conversion unit et Aspropyrgos will require this as additional feedstock if it is to work most economically.

Closure of the refinery would cause severe problems for the chemical complex.

The units involved here are a 50,000-tonne-per-year PVC plant which covers 75 per cent of Greek requirements; a 120,000-tonne ammonia plant covering 38 per cent; a 70,000-tonne caustic soda and chlorine plant, covering between 70 end 100 per cent of the Greek market for caustic soda, liquid chlorine, hydrochloric acid and sodium hypochloride; a 15,000-tonne steam cracker producing ethylene for sale to Ethyl, a nearby Salonika firm; and a 50,000-tonne solvent plant.

Most of these plants could be jeopardised and Mr Brungen has made clear that he is prepared to sell them piecemeat. Such a course of action would threaten arouod 700 jobs ln an area where unemployment is already around 11 per ceot, 3 per cent above the national urban average.

The disposal of Esso Pappas's marketing operations, which employ around 400 workers, should he less problematic.

Esso Pappas clearly believes thet all these factors mean that its daughter should not be left on the sbelf. It admits that its Salonika complex as a whole lost nearly Drs 450m ($3.4m) last year and the refinery alone lost Drs 272m. But it argues that if the refinery bad worked purely as a domestic operation —as it would have done if it were state-owned — it would have made an annual Drs 500m profit.

However, the decision to shut the refinery, albeit briefly, is a clear sign that losses this year are likely to he far greater than last year.

In the past the refinery has processed 1m tonnes per year of its own crude to make products which are then sold to the Government and has henefited from a Government option to sell Esso up to 1m tonnes per year for refining into products which the government then huys. It has also refined Government-owned crude against payment of a refining fee. This year the Government has stopped the last two practices.

Esso Pappas thus finds itself able to sell only 20,000 barrels of products per day when for technical reasons it has to have a 40,000 harrel throughput to keep the refinery open.

All this has meant tense days for Mr Brunger and his team. Like other foreign companies, Exxon has found that indecision, rather than malice is the chief problem of operating In Greece today.

GREECE and the United States resumed talks yesterday on the future of U.S. military bases in the country amid a row over allegations that U.S. aircraft had violated air traffic regulations in the Aegean, Reuler reports from Athens.

Mr Yannis Kapsis, the Greek Under-Secretary of State for Foreign Affairs, and Mr Reginald Bartholomew, State Department official, who have been conducting the seven-month-old negotiations, met at the Foreign Ministry.

The talks are being held in what Greek officials term a "beavy climate" following Greek allegations that U.S. and Turkish aircraft entered the Athens flight information region last Friday without permission. Greece and Turkey are in dispute about territorial rights and airspace control in the Aegean as well as about Cyprus.

Romanian emigrant tax may go

By Leslie Colitt in Berlin

PRESIDENT Nicolae Ceausescu of Romania had talks yesterday with the visiting West German politician, Herr Franz-Josef Strauss, amid signs that Bucharest may be prepared to drop its controversial tax on ethnic German and Jewish emigrants.

West German officials said talks have taken place about lifting the education tax on emigrants decreed last November. The U.S. said tt would cancel Romania's "most fevoured nation" trade status on June 30 as a result.

During a visit to Washington last week, Mr Stefan Andrei, Romania's Foreign Minister, is said to have told U.S. leaders that his government is prepared to suspend collection of the tax which obilges emigrants with a higher education to reimburse the cost of it in hard currency.

Herr Hans-Dietrich Genscher, West Germany's Foreign Minister, said last weekend he was confident Bonn would succeed in helping the ethnic Germans with their problems. He had postponed a planned visit to Romania.

Some 300,000 ethnic Germans live in Romania and many of them want to emigrate to West Germany.

The education tax is costing Romania a considerable amount of West German Government-guaranteed export credits. Bonn is said to have promised to reactivate the "Hermes" credit guarantees if Romania rescinds the tax.

Bncharest's main Western creditors — exclnding West Germank — have recently rescheduled payment to 1988 of 60 per cent of the government-guaranteed credits

Belgian cities' debt burden becomes political issue

BY PAUL CHEESERIGHT IN BRUSSELS

THE CITY of Liege is broke. Had it been e private corporation, the receiver would alreedy be in. This month the city had no money to pay its 17,000 employees: they will receive their salaries from central government funds.

Liege is an extreme case, even by Belgian standards, but the city's plight points up a national problem. The indebtedness of the communes, the local authorities which cost BFr 70bn (£914m) in servicing alone last year has become a major political issue.

Total debts of Belgium's communes now stand at BFr 400bn, of which Liege's share is BFr 40bn. This represents a repayment burden, in interest and capital, of nearly a third of the city's budget. Its interest charges alone were BFr 7bn last year, compared with BFr 800m a decade ago.

The issue heightens regional tensions between the Flemish and French communities. The Flemish accuse French-speaking Liege of extravagance. At the same time, the poorer French-speaking part of Belgium is drawn into conflict with the central government in Brussels.

Other major cities—Antwerp, Brussels, Charleroi and Ghent —have the same debt problem, but to a lesser degree. It is the sort of problem which would be impossible in the UK, where it is against the law for a local authority to budget for a deficit. Liege has been running a deficit for half a century.

Under the British balanced bndget system, if spending is to be higher than revenue, then the difference bas to be raised through the rates. Central government keeps a lid on capital spending.

Belgian communes have much greater freedom and can decide the scale of their own capital spending. Here lies the problem for Liege, which is so over-borrowed that it was frozen out of the capital markets at the end of 1981.

It is still paying off loans raised in 1897, and still complaining that Brussels did not pay for the rebuilding of bridges over the River Meuse after World War II. "There aren't many bridges in Brussels," one Liege official commented."

Borrowing by Liege and the other cities gathered pace in the 1960s and early 1970s, when funds were plentiful and ambitions limitless. But interest rates began to rise and maturities to shorten. Liege's 1897 loan was et 2 per cent for 90 years—its last loan in 1981 was at 15.1 per cent for eight years.

There is no disagreement in Belgium that the communes were unlucky to be caught by the international recession which forced up interest rates. Central government is negotiating with the communes and regional governments on a scheme to subsidies interest charges and float a special loan to cope with local authority spending. Talks continue today.

This is part of a policy, however, which includes a decree that communes should have balanced budgets by 1988. Brussels is also prepared to take on certain charges—such es for hospitals—provided the communes produce viable plans to redress their finances.

But Liege is finding it difficult to convince Brussels that it is cutting costs enough. City officials accuse the central government of not providing the funds it bas promised, and of loading on to the city extra responsibilities without providing the means to pay for them. Local taxes cannot rise further without encouraging people to leave tbe city altogether, they say.

In Brussels, Liege is seen as badly managed — over-staffed with employees who are paid too much; an opera and an orchestra are not thought to be necessary. Different tiers of government have always found it difficult to decide responsibilities, but this argument has a sharp domestic political edge. The Liege authorities are to the left, the central government is to the right.

Liege wants the central government to take over its debt. It is the main town in Wallonia, but eccording to Mr Charles-Ferdinand Nothomb, Minister of the Interior, "The language of the Walloon towns is not the language of Parliament. There, they are in a minority. Each time we try to make an effort for the big towns, the other communes say 'we were prudent, they were not—if you do something for them you must do something for us.'"

Liege and other Walloon towns have "not yet begun the real cuts," Mr Nothomb says. That comment will not endear him to Liege's employees, who have already started demonstrating in the streets.

Mozambique suffers South Africa's warning shots

BY MICHAEL HOLMAN IN MAPUTO

"AT THIS hour of destiny," declares the crayon slogan on the wall of what was probably an African National Congress meeting hall in Maputo's suburb of Matola, "your country and your people need you." Emblazoned on another wall is "Umkhouto we sizwe"—the ANC term for their guerrilla army.

The dusty room is illuminated by a shaft of light from a gaping hole in the red tiled roof, the result of Monday's air raid on this leafy, run-down, semi-industrial suburb a few miles out of the capital, Maputo.

The slogan are faded, the rooms in the ndjoining main house stripped of furniture, and a resident of the opposite house says that the "South Africans" hda spent a year there but left three months ago.

In the course of a three-hour tour of houses and buildings hit in the raid—which killed six people (including two children) and injured about 40—there was one other example of a dated ANC link. There was nothing that would bear out Pretoria's claims that it had successfully attacked ANC guerilla targets including training and logistical centres and a command post.

Diplomats who toured the area on the afterooon of the raid bave come to a similar conclusion. The first stop on the tour, accompanied by an interpreter from the Mozambique Ministry of Information, was a pock-marked, terracotta-roofed two-storey house. Alfonso Costhino described the start of the attack when several South African air force Impala jet fighters swooped low over the bay shortly before 7.30 on Monday morning.

The targot, it seems, was not the bouse, but the adjacent state-owned Soinopal jam and grapefruit juice factory. If the plant had anything to do with guerrilla operations, it was not apparent. Grapefruit were piled high in one corner, close to the copper tubs and boilers used in jam-making.

EEC Foreign Ministers yesterday expressed "deep concern" at the growing violence in southern Africa following the Pretoria bombing and the South African attack on Maputo, John Wyles reports from Brussels.

Speaking on behalf of his colleagues, Herr Hans Dietrich Genscher, the West German Foreign Minister, said the Ten believed that the "necessary change" in *South Africa must be achieved through political dialogue and understanding.*

Australia, Zimbabwe and Zambia also joined in the international condemnation. President Daniel arap Moi of Kenya said the Organisation of African Unity (OAU) "vehemently condemned the constant violations, provocations and aggressions" of South Africa.

Not far from the grapefruit were the bloodstains of three victims, fragments of flesh spattered against a passage wall. Infants at the factory creche escaped injury, but the outer wall of the room housing their cots had been strafed and rockets had blown two holes at the foot of the ground's surrounding breeze-block wall.

Across a vacant lot next to the factory, Julio Abibo described the death of his brother, Xavier, one of the workers. Both had lived there since 1977, and there had been no "refugees" — a term used loosely in Africa to cover either guerrillas or genuine refugees—in the immediate area during that time.

Further on, the whitewashed Spanish style house of Francisco Morgandinho, director of the state-owned advertising company, has had its living room devastated by a rocket. He and his wifa bad left the house, but two children living nearby were injured. "They didn't run away from the planes," an elder brother explained. "They ran out and looked, shouting 'planes, planes'."

The tour showed two major potential targets were left unharmed—the petrol refinery and farm which the jets overflew, and the road bridge across the River Matola, on the route to Swaziland and South Africa.

Secondly, the damage was comparatively slight, almost as if the attack was more a warning than retribution for the Pretoria bombing, in which 18 people died and more than 200 were injured.

What the South Africans have dramatically shown is the vulnerability of Maputo and its suburbs to aerial attack. It is *too soon to say what impact the* raid will have on the intermittent negotiations over the thorny issue of ANC activities in Mozambique, continuing for several months now between Ministers from the two countries.

Although little has been said in public, it appears that President Samora Machel has agreed to keep a tight rein on ANC activities in Maputo, limiting their role to little more than a diplomatic post, and insisting that any transit camps are placed well to the north, near Nampula.

But what he may not be able to prevent, even if he were to want to, is infiltration of South Africa through routes which take the guerrillas via Maputo. First official reactions from Mozambican officials have been restrained, say diplomats here, indicating that the discussions with Pretoria could continue despite the raid.

Coup aggravates dispute over Equatorial Guinea's future

BY ROBERT DEL QUIRO

FRICTION between Paris and Madrid over the future of Equatorial Guinea, Spain's former colony in central Africa, is likely to be intensified by an attempted coup in the past week.

The country has been struggling for the past four years to repair the havoc wreaked by the rule of President Macias Nguema, who was overthrown in 1979 after mass executions of political opponents, religious persecution and progressive economic collapse.

Sr Fernando Moran, the Spanish Foreign Minister, yesterday flew to Malabo, the Guinean capital, following a government announcement that 80 military men had been arrested after trying to kill President Teodoro Obiang. The coup ettempt was the second since he came to power.

Sr Moran said before leaving Madrid that he would seek a trial for a soldier alleged to have been one of the plotters, if tha soldier could not return to Spain with him. The soldier had sought refuge in the Spanish embassy.

Sr Moran's trip comes at a time when Spanish influence in Equatorial Guinea is increasingly being questioned. Madrid and Paris are locked in a dispute over which of them might be the regime's main support in its bid to revive a flagging economy based on cocoa, coffee and timber.

France is pressing President Obiang to bring his state into the Central African Customs and Economic Union (Udeac) which groups four of its francophone neighbours. He *is being* encouraged by *his own* uneasiness with the new Socialist administration in Madrid, which is reviewing its aid commitments—the country's main source of foreign exchange — and which, in the president's view, is paying too mnch heed to Guinean exiles.

The coup attempt seems likely to concentrate his mind anew on the importance of continuing to meet the wage bill of his 600-man Moroccan bodyguard, which at present is e charge on the Spanish taxpayer. Also, it underlines his need for support from a power with a proven record of military *intervention on behalf* of its friends in black Africa, a point emphasised by President Obiang's francophone neighbours.

President Paul Biya of *Cameroon, who like President* Obiang is a member of the Fang people, wants stability on his southern flank whila be keeps an eye on Chad to his north. President Omar Bongo of Gabon, to the south and east of Guinea, hopes a proper survey of Eqoatorial Guinea might turn np hydrocarbons to match those in his own country.

The U.S. ambassador in Malabo has also been urging President Obiang to sign up with Udeac. Washington believes France, better than Spain, can prevent the Guineans resorting to the Soviet bloc given to Macias.

For Spain, therefore, *this is a difficult moment.* Officials in Madrid feel the French are being too brusque in seeking a change of Guinean allegiance. Spain sees its only piece of *prestige and leverage in central* Africa disappearing, as France is only offering it associate status in the Central African States' Bank (Beac) by which to keep a link with Equatorial Guinea.

Beac, mainly run by French officials, controls the issue of currency in the four Udeac states (Cameroon, Gabon, Congo and the Central African Republic) and regulates their foreign trede. A first round of Guinean talks with Beac on how to finance the integration to Udeac has already taken place. The process is expected to conclude by the end of July. President Francois Mitterrand of France is to make a brief stop at Malabo on June 22

Although Spain regards the country's $15m (£9.6m) balance of payments deficit as small and would be prepared to cover it, France has promised this too. In addition, Spain'e own ideas for a free port and an off-shore financial centre have so far failed to persuade *President Obiang* not to fall into step with France, with which he has signed a fisheries accord and a military aid pact.

Begin survives vote of no confidence in economic policies

BY DAVID LENNON IN TEL AVIV

THE GOVERNMENT of Mr Menahem Begin survived a motion of no confidence in the Knesset yesterday over its economic policy. The failure of its anti-inflationary policy, which has resulted in the deepening of the trade deficit, was singled out as the main target for criticism.

There was also much anger over the Government's handling of the three-month-long partial strike by the country'e doctors, who complain their income has heen seriously eroded by inflation.

The motion was tabled following the announcement that the April inflation rate was an all-time one-month record of 13.3 per cent. This leap brought the rate for the first four cent, equivalent to an annual cnet, equivalent to an annual rise of 160 per cent. Inflation las t year was 131 per cent.

The public's growing lack of confidence in the Government's *handling* of the *economy has* been reflected in recent opinion polls, which revealed that its popularity is slipping. In the last month, the opposition Labour Party has drawn level in popularity with the ruling Likud Party, according to three opinion polls.

In an attempt to curb inflation, Mr Yoram Aridor, the Finance Minister, last September instituted a policy of not permitting the shekel to depreciate by more than 5 per cent against the dollar each month. Previously, the shekel depreciated in line with the inflation rate.

But this has meant that imports have heen cheaper, while exports have earned less for the Israeli producer. This is believed to have been a major contribnting factor to the 35 per cent increase in the trade deficit in the first four months of the year, compared to the same period in 1982.

Despite pleas by the Manufacturers' Association, Mr Aridor refused to alter his policy This led to a gradual breakdown of relations between tha industrialists and the Treasury over last month, with the association boycotting the Government's export-promotion activities.

Mr Eli Hurvitz, the associa-tion'e president, accused Mr Aridor of being "infantile and irresponsible," and warned that his policies would lead to an economic catastrophe. But at a meeting with Mr Begin on Thursday, the country's leading industrialists failed to convince him of the Finance Minister'a policies mistakes.

The trada deficit rose to more than US$1bn in the first third of the year, compared to US$787m in the same period last year. There has been an 8 per cent drop in exports, and a 5 per cent increase in imports, despite a US$152m decline in oil imports in the January to April period.

Under Mr Aridor, the economy has registered a major *growth* in the foreign debt, to US$28bn at the end of last year, and a record balance of payments deficit of US$4.6bn at the end of 1982. There has been a worsening of both these accounts in the first quarter of this year.

The opposition spokesman accused the Goverment of squandering the country's reserves and using foreign aid to bolster its spendthrift ways, which were fuelling inflation and making economic independence more remote than ever

But the finance minister rejected the criticism, insisting that the Government will continue the policy which has helped to keep the unemployment figure down to 5 per cent at a time when most of the Western world was suffering massive unemployment.

Nimeiri sworn in

President Jaafar Nimeiri said yesterday that his armed forces crushed "sternly and forcefully" last week's mntiny by a southern Sudan military unit, AP reports from Khartoum. President Nimeiri, 53, spoke in a policy statement to parliament immediately after being sworn in for a third six-year *term in* office.

India looks to U.S.

India has expressed interest in purchasing arms from the U.S., but American reticence to a transfer of technology makes it difficult to agree, an Indian Defence Ministry spokesman said yesterday, Reuter reports from New Delhi. He was commenting en U.S. reports that India had shewn interest in an arms package possibly worth $1bn.

Iran *restates* terms

President Ali Khamenei of Iran has said the war with Iraq will continue until Iran's conditions are fulfilled, Iran's national news agency said yesterday, Reuter reports from Tehran. Speaking after a meeting of Iran's Supreme Defence Council, he said Tehran'a terms for ending the war were the same now as they were at the start of the conflict in 1980.

Pressure on Hong Kong to abolish interest tax

BY ROBERT COTTRELL IN HONG KONG

THE continuing weakness of the Hong Kong dollar is causing local bankers to question the Government's wisdom in maintaining a 10 per cent interest tax on Hong Kong dollar deposits.

The effect of the tax is to encourage local depositors to favour foreign currencies accounts which are exempt from such a tax. Government officials say the level of interest tax is under consideration, but that no immediate move to amend it should be expected.

The local currency sank further yesterday, hitting a record low in local trading of HK$7.095 to the U.S. dollar. On its trade-weighted index it closed at 74.5, down 0.8.

Mr John Bremridge, Hong Kong's Financial Secretary, said in his February budget speech that abolishing interest tax would be too expensive, costing the Government HK$620m in the current financial year.

But a recent analysis produced by the Hongkong Bank suggests that such a yield might in any case be reduced by a growing trend towards "swap" deposits. These are locally-held foreign currency deposits offset by a forward exchange cover, protecting the depositor from both exchange risk and interest tax.

● Hong Kong's manufacturing sector is pulling out of recession, according to the Government's first quarter economic report. Domestic exports in the first three months of 1983 grew by 2 per cent in real terms year-on-year, following four consecutive quarterly declines through 1982.

Anecdotal evidence from local bankers suggests that manufacturers' order books have continued to lengthen in recent weeks. Government officials also believe unemployment to be declining from a nine-year high of 5.1 per cent in March.

Consumer prices in U.S. rose by 0.6% in April

BY ANATOLE KALETSKY IN WASHINGTON

THE U.S. consumer price index increased by 0.6 per cent in April after e period of five months in which prices fell by an overall ottal of 0.2 per cent.

The increase in the index, announced yesterday by the Labour Department, was exactly in line with market expectations, and was largely attributable to e sharp rise in energy prices. This rise was led by a 3.9 per cent jump in the price of petrol. Petrol prices had fallen in each of the past six months.

Although most of April'a jump was due to a newly-inrtoduced 5 cent a gallon excise tax, the U.S. inflation rate is unlikely to benefit from further falls in energy prices as the world oil market decline now shows signs of bottoming out.

Tha other major factor in April's price increase was an 0.5 per cent rise in the cost of bousing, an element of the index which has declined or held steady for most of the past six months.

Much of this was also attributable to the switch in energy price trends, with natural gas prices, a major element in the bousing cost index, rising by 1.8 per cent.

Yesterday's index figures confirmed the expectations among economists that prices for 1983 as a wbola will rise alightly faster than the 3.9 per cent rate recorded in 1982 whicb was helped by a fall in energy prices towards the hend of last year.

However, there is no indication that the underlying trend in inflation is accelerating and forecasters are almost unanimous in predicting an inflation rate of between 4 per cent and 5 per cent this year.

In fact, the spread of inflation projections pnblished in the latest blne chip survey of private forecasters is from 2.2 per cent to 4.8 per cent.

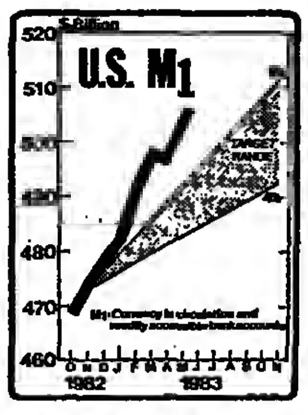
In yesterday'a statistics, the figures for "other goods and services" and for medical costs, which were rising much more rapidly than the index as a wbola last year suggest a deceleration in the underlying rate of inflation.

For two months running, medical costs have risen by only 0.5 per cent after increases of about 1 per cent throughout last year.

Inflation in other goods and services was 0.7 per cent, compared with increases ranging from 1.2 to 1.7 per cent in the last three months of 1982.

Wall Street expects Fed to stand firm

BY PAUL TAYLOR IN NEW YORK



OVER THE past two weeks M1, the basic U.S. money supply measure, has increased by \$11.4bn (£7.3bn), short-term interest rates have risen by about a quarter of a percentage point and bond prices have plunged by five points.

The bond price collapse represents a sharp turnaround in market confidence and in Wall Street's immediate interest rate expectations. Only a few weeks ago Wall Street was geared up for another cut in the discount rate from its current level of 8.5 per cent.

Yesterday the Federal Reserve Board's policy-making Open Market Committee beld its regular monthly meeting to review monetary policy in the first quarter.

While there is a renewed feeling of nervousness in the credit markets, Wall Street's senior economists are taking a surprisingly consistent and relatively sanguine view of Fed policy.

Few expect any dramatic change in the accommodating stance adopted by the Fed last October when it switched empbasis away from M1 and pursued a policy which led to a series of discount rate cuts.

However, as Mr Cbuck Liebermann of Morgan Stanley points out: "The Fed is in a very uncomfortable position."

The particular dilemma facing the 12-person Open Market Committee and the Fed is that the signals it is receiving continue to be confusing. In addition, because of the bodgetary impasse, it seems likely that monetary policy, and therefore the Fed, will be forced to continue to shoulder primary responsibility for attempting to engineer a steady and most importantly non-inflationary economic recovery.

M1 is now more than \$15bn over the top of the Fed'a 4 per cent to 8 per cent target range. Nevertheless, the other two main money measures, M2 and M3, are inside their target ranges and likely to remain there.

Mr Philip Brsverman of Chase Manhattan Bank says that despite faster growth in May, M2, the main focus of Fed policy, "should only move to the low end of the market ranga while M3 should remain well witbin the targets."

Wall Street economists view the recent renewed surge in M1 as "disturbing" but say the basic money measure is still subject to technical distortions. They believe it will stop the Fed easing bnt not necessarily imply a tightening of monetary controls.

They view the prospect of continuing large federal budgeted deficits as a more serious longer term problem because deficits of \$200bn a year pose the threat of "overheating" in the credit markets with the treasury and the private sector competing for funds as the recovery gathers steam.

Despite the continuing flood of economic statistics, Wall Street's senior analysts believe recovery is a fragile animal in need of further encouragement. So far they suggest the pick-up in economic activity largely reflects the ending of inventory liquidation.

Most importantly Wall Street economists expect the U.S. annual inflation rate to stay in the 4.5 to 5 per cent range.

Wall Street believes the recent hiccup in short-term rates is largely a reflection of temporary factors. Dr Henry Kaufman of Salomon Brothers says: "For the time being the positive forces favouring interest rate declines are not powerful enough to overwhalm the negative influences."

Most Wall Street economists believe the Fed probably cannot afford to change course at this stage—even if it wanted to.

"If the Fed tightened at this point, short-term interest rates would go back uo to double-digit levels and the economic recovery would abort by the end of the summer," says Mr Irwin Kellner of Manufacturers Hanover Bank.

Rebels surround town in northern Nicaragua

BY TIM COONE IN MANAGUA

JALAPA, an important agricultural centre in the north of Nicaragua has been cut off and its telephone links severed by right-wing counter-revolutionaries based in neighbouring Honduras, according to Nicaraguan military officials.

The town, capital of the department of Nueva Segovia, is beseiged by a force estimated at 1,200. The left-wing Sandinista Government in Nicaragua has for months alleged that the invaders from Honduras have been secretly backed by the U.S. government.

Heavy fighting has been going on since the weekend. The Government claims to bave killed 90 of the contras for the loss of 21 of their own troops.

A group of 24 foreign journalists, who had been covering the visit of four top Government officials to the now-beseiged town were caught up in the fighting when an estimated force of 80 to 100 guerrillas ambushed the convoy in which they were travelling.

The group inclnded Miss Karen da Young, foreign editor of the Washington Post, an editorial team from the U.S. weekly Time magazine and a Spanish television team.

One of the Time correspondents said: "It was only thanks to the professionalism of our Sandinista escorts that none of us were hurt."

Ha said it seemed the guerillas were intent on wiping out the convoy but under-estimated the strength of their military escort.

The convoy was escorted by 20 troops wbo beat off the attackers at the cost of two dead and six wounded. One of those injured was the official spokesman for the Ministry of Defence. Eleven of the ambushing force were apparently killed.

An ambush by another group of counter-revolutionaries in the same region last month resulted in the killing of 13 civilians, including a West German doctor and several nurses.

U.S. blacks discover the power of the ballot box

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

FIFTEEN YEARS after his death, America's blacks are discovering that tha words of the Reverend Martin Luther King ring even more truly than they ever did in his lifetime. "The most important step that a person can take," said the Reverend King, "is that short walk to the ballot box."

Last month in Chicago, and again last week in Philadelphia, thousands of black voters took short walks in an unprecedented display of unit. As a result, Chicago now has its first black mayor, Mr Harold Washington, and tha voters of Philadelphia are likely to grant a similar accolade this autumn to Mr Wilson Goode, who won the mayoral nomination in the Democratic primary.

The two contests were, on the surface, notably different. In an unpleasant campaign in Chicago, both covert and overt racialism was an issue until the very end. Philadelphians, at least publicly, chose largely to ignore the racial overtones of their choice. But the two events are both products of a dramatic rise in black political power and political ambition whicb has now provoked a serious debate as to wbether a black candidate should run for the Democratic Presidential nomination next year.

If Mr Goode capitalises on the traditional inbuilt Democratic majority in Philadelphia, the nation's fourth largest city, ha will join a growing band of black mayors who run more

Mr Harold Washington

than 220 cities, including such major urban centres as Los Angeles, Atlanta, New Orleans, Detroit, Newark and Washington DC, as well as Chicago. Black state legislators have more than doubled, from under 170 to almost 350m in the last ten years.

If the main electoral successes so far hava been only at local level—there are no black Senators or stata Governors and only 21 in the House of Representatives — increasingly confident black leaders see no reason why they should stop there.

The growing non-white population of the major cities is becoming more activist, not least because of what it sees as the hardline economic and civil rights policies of the eRagan Administration. Near record unemployment has also caused more suffering in the poorer sections of society over the last two years. In the view of one Southern black leader, President Ronald Reagan is the greatest gift to the black voter registration drive since the Rev King.

There are two other key factors. First, with over 5,000 blacks now holding elected offices around tha nation, there is a growing supply of black officials with the experience and organisation to aim for the higher rungs of the ladder. Secondly, blacks, like women voters, are beginnnig to feel that the Democratic Party has for too long taken them for granted—that their support is couned on in elections, but that thereafter they given only relatively lowly posts and their concerns are forgotten.

In the past, black voters have been criticised by their own leaders for being apathetic at election time. In the last Presidential elections in 1980, just over 50 per cent of black registered votars went to the polls, compared witb over 6 0per cent of whites.

By last November's mid-term elections, bowever, intensive registration drives hsd pushed up the black turnout by as much as 6 per cent. In February's Chicago Democratic primary, in which Mr Washington ousted the incumbent, Mrs Jane Byrne, black registration hit a record 75 per cent, and 69 per cent went to the polls.

More than balf the country's 28m blacks still live in the South, wbich remains their power base, despite their growing strength in the cities. But with 11m registered voters, black already represent 10.5 per cent of the national electorate, and there are a further 6m blacks of voting age whom the new generation of activits want to mobilise by 1984.

The optimists believe that the number of black delegates at next year's Democratic convention in San Francisco could reach almost 800 out of a total of just under 4,000, and that black voters could even bold the margin of victory in up to 14 of 19 states that could swing the Presidential election.

Statistics like these, though they remain to be tested, together witb the recent strength at the polling both, have fuelled the controversial drive for a black Presidential candidate. Few believe that such a candidate could actually become President, but there is considerable support for the idea of a "broker candidate," who might just win enougb convention delegetes to be able to clinch the Democratic nomination for the whole candidate judged most sypmathetic to the black cause.

The idea bas sharply split tha black leadership. The Rev Jesse Jackson, the Chicago

Mr Wilson Goode

activist, bas already virtually declared his candidacy for the White House.

Other black leaders, like Mayor Andrew Young of Atlanta and Mayor Coleman Young of Detroit, think that sucb a bid would be suicidal. It would draw support away from the liberal white candidates who have previously hed the strongest ties witb the black movement, risk causing a rift between black and white Democrats and could also prove an embarrassing flop

The debate is not over. But national politicians of both major parties are already beginning to sit up and teke notice. Democratic Presidential hopefuls flocked to Chicago to endorse Mr Washington—admittedly rather late in the campaign—and Mr Reagan has himself gone to considerable lengths recently to deny seemingly well-substantiated reports that he has already written off the black vote in 1984, after winning only 10 per cent of it in 1980.

The major question remains of bow far black voter strength will be mobilised behind black candidates simply because they are black, as Mr Washington's opponents suggested had happened in Chicago. That could risk polarising the electorate and rally otherwise divided white majorities behind white candidates for the same unquestioning reasons.

Given the circumstances, it would be astonishing if this did not happen fairly frequently—it certainly did in Chicago, and probably also in Philadelphia even if it remained below the surface. But one of the more significant new developments of the past two years has been that blacks are beginning to show that they can be viable candidates in white majority areas.

The lesson gradually emerging seems to be that wbites are more comfortable with black leadership in areas where there is either an established black majority or only a small black population. Where there is an active and expanding black minority, the whites see blacks in authority as a greater threat.

WORLD TRADE NEWS

Andrew Whitley in Rio de Janeiro discusses a bid to use barter to stimulate exports

Brazil seeks to recover lost markets

SR CARLOS VIACAVA, Brazil's chief trade representative, starts a tour of foreign capitals this week with the goal of recovering recently lost markets among the deeply indebted countries of Latin America and the newly hard-up oil exporting nations.

At each stop, he will pose a singe, basic question to his hosts. "How can we increase our mntual trade (and clear up our payment arrears), while reducing hard curency payments as much as possible?"

With trade finance from Western banks proving so hard to obtain, especially in Latin America, Brazil is taking a lead in proposing a variety of imaginative counter-trade proposals.

"Each of these cases will be treated on its merits," Sr Viacava said shortly before his departure for Argentina.

Earlier this year the Government came to the conclusion that its $6bn trade surplus target for 1983 was viable only if it could restore its exports to developing countries to the levels of two years ago. That meant tackling the payments problem.

Reducing the burden of Brazil's oil import bill, currently 52 per cent of total outlays, is another constant theme. Hance the concentration during the latest drive on a select group of countries: Venezuela, Mexico, Nigeria, Angola and Iran.

Counter-trade agreements with Angola and Iran are already in place. The accord with Ayatollah Khomeini's Islamic republic has been working reasonably well for nearly a year. That with Angola, worth $100m each way per year, was concluded only last month.

The key vehicles for Brazil in this trade are the big public and private trading companies. The largest, Interbras, which is an arm of the state oil company, said recently it hopes to export goods worth $3bn this year, compared with $2.7bn in 1982.

According to Sr Viacava, 60 per cent of the goods Mexico has committed itself in principle to buying from Brazil, under an agreement finalised during President Joao Figueiredo's visit last month, will be handled by state companies.

The goods include foodstuffs, petrochemicals, oil products and oil drilling equipment. In return, Mexican oil exports to Brazil are to be increased, initially from 60,000 barrels a day (b/d) to 80,000 b/d.

Interbras and Pemex, the Mexican state oil company, have agreed to establish a new joint company with headquarters in both Rio de Janeiro and Mexico City, to create a permanent channel for the boosted trade flows.

The special feature of the Mexican arrangement lies in tha payments procedures. Accounts will be kept at the respective central banks and every three months the net debtor country will be reimbursed in U.S. dollars.

"Neither side can afford to finance the trada for longer terms," a Brazilian official said soon after the conclusion of the Government protocal.

A rather different arrangement has been worked out with Angola. Brazil will provide one-year financing for its exports, with payments falling at six-monthly intervals. Angola is offered the choice of paying in bard currency the preferred option or else in oil.

Private Brazilian companies haxe expressed their unhappiness about the way in which, as they see it, the state sector is getting the best pickings. But at least one multinational trading company, Sears World Trade, newly arrived in Brazil, is enthusiastic about the medium-term outlook for parallel trade deals.

A new incentive on offer to Brazilian companies which are able to replace cash dollar payments with "notional dollar" transactions not involving a financial drain from the central bank is an entomatic increase in their normally tightly regulated import quotas.

However, Brazil insists that it is not offering any preferential tariff treetment to those countries which accept barter-type packages.

The prospects of augmenting the present trickle of trade with Argentina through these methods are, ironically, limited by another consideration. Argentina is reportedly insisting on sight payments for wbeat, its major export, whereas Brazil already bas long-term wheat contracts with other suppliers on attractive, three-year credit terms.

Last September understandings were reached with Bnenos Aires on the opening of reciprocal credit lines of $100m each, by the two principal, state-owned commercial banks. The plan was not taken up at the time, but Sr Viacava is hoping to reactivate it on his trip.

Sr Jose Botafogo Goncalves, a top Planning Ministry official in Brasilia, acknowledged earlier this year that bilateral trade agreements of this sort would be limited to countries which had a single major item required by Brazil, such as wheat or oil. But he also revealed that trilateral deals involving, for example, the Soviet Union and another European country, were being actively explored.

One example is the provision of equipment by British companies for Polish ships on order from Brazil, financed by British banks and guaranteed by the UK Export Credits Guarantee Department.

Brazilian trade with the Soviet bloc has fallen away badly over the past two years but later in the year the Brazilian foreign trade chief plans to travel to Moscow to try to boost the present annual trale of $500m to $700m.

In the case of Nigeria, which has virtually halted the import of Brazilian manufactured goods in recent months, particularly vehicles, another payments scheme is to be proposed shortly.

An account with a European bank would be opened into which Brazil would make all its payments for Nigerian oil in hard currency. These funds would be usable only for the purchase by Nigeria of Brazilian goods, or else would remain frozen for a two-year period.

The financial arrangements being suggested are certainly inventive; if they provided sufficient guarantee for each foreign trade partner to commit itself fully to the barter trade possibilities, Brazil's dream of a $6bn trade surplus would already be in the bag.

Guyana, starved of foreign exchange, is trying to barter its main export products—rice, timber and bauxite—for imports of cement, steel and machinery, a senior Government official said, Reuter reports from Georgetown. Mr Winston Murray, head of the Department of International Co-operation, said Guyana had already entered a deal to exchange rice for soyabeans with Jamaica and was looking towards Cuba and other countries for more agreements.

He said a committee headed by Mr Desmond Hoyte, the vice-president, had been set up to seek barter trade arrangements.

Baldrige hopeful on textile pact with China

PEKING—Mr Malcolm Baldrige, U.S. Commerce Secretary, said yesterday be boped that talks early next month would solve the U.S.-China textile trade dispnte that has led to a worsening of bilateral trade and political relations.

Asked about progress in the negotiations on new quotas for Chinese textile sales to the U.S. market, he said: "We have had six sessions. We came very close to agreement at the end of the last round."

The two sides had agreed to "have the seventh—and, I hope and think—the last round on June 6."

Without an agreement, the U.S. imposed its own limits in January designed to keep Chinese textile imports from growing beyond 1982 levels.

China protested by ordering a halt to purchases of U.S. cotton, soyabeans and chemical fibres

In the first quarter of this year, U.S. agricultural exports to China fell 45 per cent

Another irritant in U.S.-China trade relations is China's impatience with U.S. restrictions on exports of high technology that might have military uses.

Mr Baldrige said President Ronald Reagan's policy is to permit tha sending of a significantly higher level of technology to China, but this policy still has to be translated into details.

AP-DJ

Unctad report criticises Gatt over trade terms

BY ANTHONY McDERMOTT IN GENEVA

THE GENERAL Agreement on Tariffs and Trade (Gatt) bas come under strong criticism from the UN Conference on Trade and Development (Unctad) in a report to be deilvered to the Belgrade international conference in June. The report was released yesterday.

Mr Gamani Corea, the Unctad Secretary-General writes of the "best efforts" made at the Gatt ministerial session last November as "insufficient" in trying to establish better-observed terms for trade.

Elsewhere, he writes of "the access of developing countries to markets in the developed countries (being) progressively restricted" and criticises Gatt for not being able to control these moves.

"The efficacy of the system," established through the instrument of tariffs under the auspices of Gatt in the 1950s and 1960s, "came to be progressively eroded, with a growing volume of trade being regulated outside the application of Gatt rules." This applies in particular in the agricultural sector.

The operations of the two Geneva-based organisations overlap but are coming into increasing conflict.

It has very much become the forum for the North-South economic dialogue. Gatt by contrast has 89 countries which includes, besides market-economy countries, Czechoslovakia, Cuba Hungary, Poland, Romania and Yugoslavia.

The attempts by Gatt through its members to have its agreements observed have been undermined by the recession.

Apart from the criticism of Gatt, the Unctad Secretary-General's report to the Unctad VI conference in Belgrade, is conciliatory. It recognises that the development of emerging countries can only come about hand in hand with the recovery of the recession-hit industrialised countries.

But to aid this, the report requests in particular that some $30bn of Special Drawing Rights from the International Monetary Fund be made available over the next two years and that the Common Fund, established by Unctad in 1976 to offset fluctuations in commodity prices and to support commodity experts, be fully ratified.

This is so that the loss in earnings from commodity exports—other than fuels—between 1981 and 1982 amonnting to $20bn for developing countries, could be countered.

Japanese and Russians halt steel talks

TOKYO—Talks with the Soviet Union on supplying 15,000 tons of steel pipe have been broken off after Japanese steel makers refused to accept a Soviet demand for lower prices, Sumitomo Metal Industries said yesterday.

A group of four Japanese steel makers led by Sumitomo Matal Industries held talks with Promsyrioimport, the Soviet metals import corporation, in Moscow last week, but "could not settle the price."

The Soviet Union wanted shipment in July-September of the seamless pipe for oil digging projects, the officials said.

The officials declined to disclose further details, inclnding how much of a price cut the Soviet Union demanded.

The other three Japanese companies are Nippon Steel, Kawasaki Steel, and Nippon Kokan.

● The Soviet Union has agreed in principle with the Australian Northbound Shipping Conference that low-priced Soviet containerships will voluntarily curb freight volumes from Japan, the economic newspaper, Nihon Keizai Shimbun reported yesterday.

Under the basic agreement, the volumes of cargoes from Japan by Soviet ships will be limited to 530 containers of 20 x 20 feet a month, accounting for 10 per cent of Australia-bound cargoes from Japan.

The freightage charges will not be less than 10 percentage points below those set by the Conference or shipping groups governing freight regulations for the Australia-Japan routes.

Agencies

Canadian wood exports 'not subsidised'

WASHINGTON — The U.S. Commerce Department, upholding a preliminary finding, has ruled that Canada does not subsidise its lumber exports, the Department said.

The final decision means investigations of exports of Canadian softwood lumber and shingles will be terminated by the Department and the U.S. International Trade Commission, which was looking into whather the Canadian lumber was harming the U.S. industry.

The investigations were triggered by a complaint from about 350 U.S. companies in the wood business. An attorney for the group said it may appeal against the decision to the U.S. Court of International Trade.

Yesterday's final ruling is the same as a preliminary one issued on March 10.

U.S. imports of Canadian lumber and the other wood products involved in the investigations totalled $1.7bn (£1.1bn) last year.

Reuter

French Kier unit wins New Guinea contract

KIER International, a member of the French Kier Group bas been awarded the contract for the design and construction of four tunnels valued at approximately £11m on the Ok Tedi project in Papua, New Guinea. This 16-month contract for Ok Tedi Mining forms part of Stage 1 of the overall development which involves all works necessary for the mining and prodnction of gold in the remote Western Province of Papua New Guinea.

Titech Europe opens £6m titanium castings plant

BY VIC TAPNER IN CHARLEROI

TITECH EUROPE, a joint venture between the Belgian Government and Titech International of the U.S., yesterday opened a BFr 475m (£6m) titanium castings plant at Charleroi. It is claimed to be the biggest of its kind in the West.

At the same time, the company announced its first order, from Westland Aircraft of the UK. It is worth £70,000 for the provision of a weapon carrier on Lynx helicopters. Westland said further orders were likely to follow.

Titech expects the foundry to be in full production in five years' time. Estimated potential sales are between $12m and $20m a year.

The plant was built to meet the growing needs of the European market for titanium, particularly in the aerospace and marine industries.

The metal's qualities are lightness, high strength, resistance to corrosion, and its ability to withstand high temperatures.

The Belgian Government participated in the venture as part of plans to creat high-technology industry and boost jobs in the economically-depressed Walloon region.

M Jean-Maurice Dehousse, Minister-President of the region, said the project was "a step to the future."

Shares in Titech Europe are 55 per cent owned by the Belgian state, and 45 per cent by Titech International.

Swiss machine export orders 'still insufficient'

BY JOHN WICKS IN ZURICH

EXPORT ORDERS received by the Swiss metals and machine-building industry remain unsatisfactory, according to a report issued by the Association of Swiss Machinery Manufacturers (VSM).

In the first quarter of this year, new foreign business was lower by 7.2 per cent than for the average of the four 1982 quarters.

The association says overall business has in recent months shown signs of becoming more stable—though at a low volume. It adds that there is no reason to expect an upswing in the immediate future.

There are certain indications of economic recovery in important foreign markets, the report states, but the Swiss machine-building industry is seen as benefiting from these only after a time-lag. "Considerable employment problems" are expected for the remainder of the year.

For the first time in three years, there bas been a modest rise in work on hand to an average 6.1 months' production equivalent.

● Foreign orders for Swiss textiles surpassed domestic business last year, according to a report issued by three textile trade associations in Zurich. While new export orders booked by spinners and weavers rose 4.4 per cent over the year to SwFr 756.2m. Swiss clients ordered products worth only SwFr 742.5 or 11.3 per cent less than in 1981.

Nuclear power: a race against time in Scotland

By David Fishlock, Science Editor

FROM THE front seat in the helicopter circling at 600 feet it was clear that this was no ordinary British construction site. A dozen tall cranes tower above the square grey concrete building. Just beyond, a 1,000-tonne cylinder of steel is poised to be swung into position deep in the huge concrete block.

All around construction materials are regimented in orderly piles, interspersed with small buildings used to store the more sensitive materials or to prefabricate and clean complex structures on site. "I judge my sites by two things—tea and tidiness," grins Mr William McAlpine, construction manager of Sir Robert McAlpine's Scottish projects. "Tidiness is worth a lot of money."

Torness, the new nuclear station for the South of Scotland Electricity Board, is McAlpine's biggest project in the UK at present. It has the civil engineering contract, worth about £200m. This includes the award-winning sea wall enclosing the triangle of 60 acres of reclaimed land at the mouth of the Forth, 30 miles south-east of Edinburgh.

Torness and its twin at Heysham, Lancashire, are Britain's latest nuclear power stations, started in 1980. They began six months apart, with the Central Electricity Generating Board insisting on taking the lead role, says Mr Donald Miller, SSEB chairman. After three years the two projects are neck-and-neck. "The pattern across the site is that we are bang on target," Mr Miller claims. "Our task is easy," Mr McAlpine says, "because the client has set up the task right."

Torness, in a thinly-inhabited corner of the south of Scotland with few other than a cement works as neighbours, is an exposed and windswept site. Winter winds can whip the tower cranes round like weathercocks, burning out their motors, so construction is often held up by bad weather.

Nonetheless, employment at Torness is already well past its peak. The final shape of the concrete building to house twin advanced gas-cooled reactors (AGRs) is already apparent, with steelwork reaching roof level. The SSEB has let contracts worth about £1bn and paid for contracts worth about £350m, Mr Miller estimates.

Mr Bill McAlpine, whose company has received the biggest share of contracts paid for so far, says he moved the team which had built three North Sea platforms in Scotland—"our best team"—to Torness.

No one can doubt that Torness is in a race—several races, in fact. The obvious one is against Heysham 2, backed by the much bigger resources of the CEGB and its engineering team at Barnwood. But more important to the SSEB engineers is their conviction that the AGR is fundamentally a sound and competitive nuclear system, which can be built as quickly as a pressurised water reactor.

Another incentive—if one is needed—is that Torness is the main target of Scram, the Scottish Campaign to Resist the Atomic Menace. A new booklet from Scram asserts that the project has progressed "from folly to fiasco." It argues instead for an SSEB programme of combined heat and power (CHP). "Such a programme would avoid the dangers of nuclear power, economise on fuel, create much needed jobs, and heat our homes and workplaces more cheaply."

Mr Donald Miller, a Scottish engineer who made his reputation in hydro-power for the North of Scotland Electricity Board, is convinced that the AGR is the best investment the SSEB can make—today, or for the forseeable future. Unlike the first five AGR stations, including the Hunterston B, the SSEB's first AGRs on the west coast, Torness is "very far from a jobbing operation."

Mr Miller claims that the new prefabrication techniques worked out by the National Nuclear Corporation and Whessoe, for assembly of reactor structures up to 1,000 tonnes in weight outside of the pressure vessel, have made the new design of AGR "more of a factory job than the PWR." This claim is supported by Dr Ian Preston, who recently relinquished the post of director general of Barnwood to return as the SSEB's deputy chairman.

The 1,900-tonne steel roof for Torness's first reactor, fabricated complete by Whessoe, is expected to be dropped in position next month. Boiler-work is scheduled to start before the end of the year. Mr Miller says difficulties experienced by Northern Engineering Industries in getting its highly automated new factory on Tyneside to run smoothly have been overcome and he is happy with the production rate.

The GEC turbo-generators are expected to start arriving this year, in much bigger sections than is customary in Britain. Cabling of the station — it will eventually have 30,000 cables—has already begun. "I've never known a power station get this far three years on," says Mr Miller.

Nowhere is the change from "knife-and-fork" to prefabrication in AGR technology more apparent, however, than in the acres of thermal shield which will insulate the heat of the reactor from the concrete pressure vessel. It has been the cause of endless delay and demoralisation on all five early AGR sites. Nothing has undermined confidence in management more than the need to strip off the painstakingly tailored panels of insulation, sometimes more than once, because further testing had shown that they would peel off in gale-force winds of hot gas once the reactor was working.

The problem was finally solved by armour-plating the insulation with stainless steel panels bolted to the steelwork. To cover the complex contours of the reactor completely these panels, and the multi-layer insulating foils they protect, were all fitted by hand to form a continuous gas-tight thermal shield.

For Torness, Darchem has developed novel manufacturing techniques to fashion the panels and foils, based on 3-D photogrammetry combined with numerical controlled machines to cut the metal. The thermal shield is thus factory-made with the precision of a jigsaw puzzle, each of the 20,000 pieces of which has its unique place in the reactor.

Donald Miller firmly believes that Torness will exceed its nameplate rating of 1,320 Mw. Already he rates it a 1,400 Mw station. He also believes that the SSEB's combined experience of its Hunterston B station and of nearly three years of Torness construction suggest that a new AGR could be substantially cheaper in present-day money than the £1,097m estimated for Torness in 1980. In fact, he claims that it could come within 10 per cent of the capital cost of megawatts from the British PWR.

CHP—a new formula for district heating

"AT THE Torness inquiry, the SSEB said that district heating saved substantial amounts of energy, but they believed it was uneconomic . . . since then, no less than three independent studies have shown that the SSEB's judgment was unsound." Scram, April 1983.

A new formula by which combined heat and power might be introduced in Scotland has just been put forward by the SSEB. CHP aims to use the energy wasted in electricity generation in the form of hot water for district heating.

The new formula envisages schemes much smaller than those investigated so far under the Government-backed search for cities willing to pioneer large-scale CHP in Britain. Such a scheme would start life by using dedicated heat-only boilers, or by bringing near-boiling water by pipeline or barge from Scotland's big coastal stations, into Glasgow or Edinburgh.

Such means would minimise the risks for the sponsor of having to make a major capital investment at the outset, with no guarantee that customers for district heating would appear fast enough ever to make the scheme viable.

Scotland offers two obstacles for enthusiasts for CHP, says Mr Donald Miller. They are the popularity of natural gas, and the relatively low rate of penetration of central heating in homes. He would like the SSEB to become a heat as well as electricity supplier. But he believes that someone else must shoulder the risks of investment in heat distribution, because market forces alone cannot ensure the SSEB of an adequate commercial return.

The SSEB, in collaboration with Kennedy and Donkin, the consulting engineers, has studied the merits of several possible CHP schemes for Scotland. They include fairly large schemes producing 400 Mw of heat for Glasgow and Edinburgh; and smaller schemes of half this size, which would embrace only about 17,000 homes.

The SSEB sets out its conclusions in a report which concludes that, even if interest is ignored, its schemes would not break even for 20 years or more.* However, small-scale schemes for both Glasgow and Edinburgh offer rates of return "approaching those for the larger schemes, with significant reductions in capital commitment and negative cash flows, but with similar pay back periods."

*Combined heat and power for district heating: a study of alternative schemes for Edinburgh and Glasgow. Available from the SSEB, Cathcart House, Spean Street, Glasgow G44 4BE. £2.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Al Baraka International	10 %	Heritable & Gen. Trust	10 %
Allied Irish Bank	10 %	■ Hill Samuel	§10 %
Amro Bank	10 %	C. Hoare & Co.	†10 %
Henry Ansbacher	10 %	Hongkong & Shanghai	10 %
Arbuthnot Latham	10 %	Kingsnorth Trust Ltd.	11 %
Armco Trust Ltd.	10 %	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	10 %	Lloyds Bank	10 %
Banco de Bilbao	10 %	Mallinhall Limited	10 %
Bank Hapoalim BM	10 %	Edward Manson & Co.	11 %
BCCI	10 %	Midland Bank	10 %
Bank of Ireland	10 %	■ Morgan Grenfell	10 %
Bank Leumi (UK) plc	10 %	National Bk. of Kuwait	10 %
Bank of Cyprus	10 %	National Girobank	10 %
Bank of Scotland	10 %	National Westminster	10 %
Banque Belge Ltd.	10 %	Norwich Gen. Tst.	10 %
Banque du Rhone	11 %	P. S. Refson & Co.	10 %
Barclays Bank	10 %	Roxburghe Guarantee	10½%
Beneficial Trust Ltd.	11 %	Royal Trust Co. Canada	10 %
Bremar Holdings Ltd.	11 %	Slavenburg's Bank	10 %
Brit. Bank of Mid. East	10 %	Standard Chartered	‖10 %
■ Brown Shipley	10 %	Trade Dev. Bank	10 %
Canada Perm't Trust	11 %	Trustee Savings Bank	10 %
Castle Court Trust Ltd.	10½%	TCB	10 %
Cayzer Ltd.	10 %	United Bank of Kuwait	10 %
Cedar Holdings	10 %	United Mizrahi Bank	10 %
■ Charterhouse Japhet	10 %	Volkskas Intnl. Ltd.	10 %
Choulartons	11 %	Westpac Banking Corp.	10 %
Citibank Savings	¶10 %	Whiteaway Laidlaw	10½%
Clydesdale Bank	10 %	Williams & Glyn's	10 %
C. E. Coates	10½%	Wintrust Secs. Ltd.	10 %
Comm. Bk. of N. East	10 %	Yorkshire Bank	10 %
Consolidated Credits	10 %		
Co-operative Bank	*10 %		
The Cyprus Popular Bk.	10 %		
Duncan Lawrie	10 %		
E. T. Trust	10½%		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	12½%		
First Nat. Secs. Ltd.	12 %		
Robert Fraser	10½%		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.75%; 1-month 7.00%. Short-term £8,000/12-months 9.35%.
† 7-day deposits on sums of: under £10,000 6¾%, £10,000 up to £50,000 7¼%, £50,000 and over 8¼%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £7,000 7¼%.
§ Demand deposits 6¾%.
¶ Mortgage base rate.

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 8EB   Telephone 01-621 1212

Over-the-Counter Market

1982-83 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	136	+ 1	6.4	4.7	7.6	10.3
158	117	Ass. Brit. Ind. CULS	152	—	10.0	6.6	—	—
74	57	Airsprung Group	64	—	2.1	2.5	18.3	18.3
46	28	Armitage & Rhodes	28	—	4.3	15.4	3.1	5.5
345	197	Bardon Hill	345	—	11.4	3.3	14.5	16.3
150	100	CCL 11pc Conv. Pref.	148	—	15.7	10.6	—	—
270	210	Cindico Group	210	—	17.6	8.4	—	—
86	46	Deborah Services	46	—	6.0	13.0	3.0	8.2
97½	77	Frank Horsell	96	—	—	—	3.0	8.6
96	75½	Frank Horsell Pr Ord 87	94½	—	8.7	9.2	10.5	11.3
83	61	Frederick Parker	62	—	7.1	11.6	3.8	8.2
55	34	George Blair	34	—	—	—	5.9	12.3
100	74	Ind. Precision Castings	75	—	7.3	9.7	9.6	12.1
176	100	Isis Conv. Pref.	174	—	15.7	9.0	—	—
150	94	Jackson Group	150	+ 1	7.5	5.0	4.6	8.6
225	111	James Burrough	223	—	9.8	4.3	16.3	18.1
260	148	Robert Jenkins	148	− 1	20.0	13.5	1.6	23.5
83	64	Scruttons "A"	67	—	5.7	8.5	8.7	10.6
167	112	Torday & Carlisle	112	− 2	11.4	10.1	5.0	8.6
29	21	Unilock Holdings	26	—	0.46	1.8	—	—
85	64	Walter Alexander	69	—	6.4	9.3	4.8	7.1
270	214	W. S. Yeates	265	—	17.1	6.5	4.1	6.6

Prices now available on Prestel page 48146.

UK NEWS

People Express unlikely to meet Friday deadline

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CHANCES of People Express, the low-fare U.S. airline, being able to start its £99 one-way transatlantic air service between London Gatwick, and Newark, New Jersey, this Friday now seem remote.

After two days of Anglo-U.S. talks, which ended yesterday at the Department of Trade, on a range of difficulties that have arisen under the Bermuda Two air agreement, the Department indicated that no decision had been taken on the service.

That service, in any event, was not a prime reason for the talks, which were more concerned with current UK efforts to halt U.S. anti-trust actions against British Airways and British Caledonian Airways for allegedly driving the now-defunct Laker Airways off the Atlantic route early last year.

Civil aviation executives on both sides of the Atlantic, however, including People Express itself, now believe that the U.S. airline is being used as a pawn in the battle being fought between officials of the Department of Trade and the U.S. Government, over various civil aviation difficulties.

A statement by People Express yesterday said that it "deplored" the way in which it appeared to have become enmeshed in the anti-trust problems of other carriers, which were not in any way its concern, and were "totally unrelated" to the People Express plans for cheap Atlantic flights.

All that People Express wanted to do, it said, was to offer the UK and U.S. travelling public a straightforward, cheap air service that had already been approved by the U.S. Civil Aeronautics Board, and required reciprocal UK approval.

People Express pointed out that since it opened bookings for the service on Monday, it had sold some 8,000 tickets in the U.S. alone (5,000 for travel to the UK and 3,000 for travel to the U.S.), while in the UK, it had received 1,000 telephone calls and sold some 800 tickets.

This meant the airline had already filled nearly one-third of its available seats between now and mid-September.

The Department of Trade view is that it needs more time to consider the details of the service. Even allowing for the general election, which may have caused some hold up, the airline is puzzled about the delay

The only conclusion People Express draws is that it has become unwittingly caught up in the overall deterioration in Anglo-U.S. civil aviation relationships.

MPs' report attacks tightness of Thatcher economic policies

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR EDWARD DU CANN, chairman of tha all-party Treasury and Civil Service Committee of MPs, severely criticised the tightness of the Government's economic policy in a report out yesterday.

The draft report, on international monetary arrangements, could be highly embarrassing to the Government at this stage of the general election campaign.

Mr du Cann said the severity of the recession which resulted from, among other things, the use of monetary policy to fight inflation "has confirmed our forebodings."

He added: "High oil prices, high interest rates and restrictive fiscal policies led to the deep and prolonged recession of 1980-83." The report pointed out that before the onset of recession, unemployment in the UK was 5.9 per cent of the workforce and rose to 12.9 per cent by the third quarter of 1982. "Over the same period unemployment in the 15 major Organisation for Economic Co-operation and Development (OECD) countries rose from 5.1 per cent to 8.3 per cent.

"Thus something under half the rise in British unemployment may plausibly be ascribed to the world recession." Mr du Cann said in the draft that the committee agreed with the view of Dr Ottmar Emminger, former president of the West German Bundesbank, that a major contribution to the rise in unemployment at that time was the over-valuation of sterling.

He continued: "The present Government has made the reduction of inflation the overriding objective of its economic policy. It sought to accomplish that objective primarily by limiting monetary growth to a pre-determined target path and eschewed use of an incomes policy.

"Fiscal policy was directed to enabling the monetary targets to be achieved without excessive levels of interest rates. This involved a very restrictive fiscal stance. OECD estimates that in 1980-82, the cyclically adjusted budget deficit was reduced by 6 per cent of GNP compared with an average change for the seven largest OECD economies equivalent to 1 per cent of GNP.

"This is by far the most restrictive fiscal policy to have been pursued by any of the major countries."

Although there was controversy about the extent to which the over-valuation of sterling could be ascribed to the impact of North Sea oil, there were reasons for believing it was not the major cause.

"The Government appeared to welcome the initial appreciation of sterling as supportive of its aims of bringing inflation under control, while denying that the pursuit of monetary targets should, or would, be influenced by what happened to the exchange rate. Over time, however, its commitment to monetary targets seems to have weakened."

The policy of impeding the fall of the exchange rates in 1981 by raising interest rates had, in retrospect to be judged to have been ill-advised.

The draft report, which has not been approved by the full committee, urged a substantial change in the emphasis of Government financial policy towards the meeting of a target for the exchange rate of sterling, rather than the money supply.

It said both variables should be taken into account when deciding on interest rates and other aspects of policy, and it welcomed the fact that the Government had come to take more account of the exchange rate in determining its policies.

NatWest to launch interest account

By John Moore, City Correspondent

NATIONAL WESTMINSTER, one of Britain's largest banks, is planning to introduce a scheme under which individual customers will be paid interest on their cheque book account balances.

The scheme which is expected to be announced shortly, could revolutionise retail banking in Britain.

An interest-bearing current account would probably offer customers 5 per cent per annum. This would be credited monthly. In addition there is expected to be a depositors' overdraft facility which is expected to incur interest at the rate of 1½ per cent per month.

There is no indication at this stage whether National Westminster will require a minimum balance to be held in the account before customers become entitled to the interest. But the move marks a big departure by a major bank towards introducing a full interest-bearing current account. It is thought that the scheme is aimed at the lower wage earner.

Last week the Co-op Bank introduced a new premium current account — the cheque and save account — aimed particularly at people with high salaries. On days when a customer's balance stands at more than £1,000 it offers a 2 per cent bonus over the notional standard rate of interest of 8 per cent making a total of 10 per cent on the amount over £1,000.

The whole of the balance qualifies for interest, but no interest is calculated on days when the balance is below £500. The new scheme represented an improvement on Co-op's existing account which only paid 5¼ per cent interest.

Until the planned move by National Westminster, banks had offered interest-paying cheque book accounts only when they were linked to savings schemes. Barclays, Lloyds, and Midland banks in their interest-bearing cheque account schemes require regular monthly deposits to be made.

National Westminster was the only one of the four major banks without any form of interest-bearing current account, although its move could give the larger banks a new lead.

UK NEWS

Labour's unity damaged over defence policy

BY MARGARET VAN HATTEM

DIFFERENCES within the Labour Party leadership on defence policy threaten to become the party's first major election disaster.

Mr Michael Foot, the Labour leader, yesterday tried to paper over cracks in party unity which appeared at the end of last week when Mr Denis Healey, the deputy leader, began to unravel the careful compromises achieved in Labour's election manifesto, its published programme for government.

In a direct contradiction of Labour's commitment to establishing a non-nuclear defence policy in the lifetime of the next parliament, Mr Healey said last Friday that a Labour government would not get rid of Britain's Polaris missiles if the Soviet Union refused to make parallel cuts in its nuclear forces.

Mr Foot, in a statement said to carry Mr Healey's endorsement, said yesterday: "Our aim, at the arms talks in Geneva, will be to reduce nuclear arms on all sides. Phasing out our Polaris force will be part of that process.

"We will, after consultation, move to the removal of existing nuclear bases."

Mr Foot avoided directly repudiating Mr Healey's comments by sidestepping the possibility of failure in Geneva. But the clear implication, supported by party officials, was that Labour would scrap Polaris whether or not the Soviet Union responded in kind.

No direct comment was forthcoming from Mr Healey, who spent the day touring the North-east. Significantly, neither Mr Foot nor Mr Healey appeared at Labour's morning election press conference, even though Mr Foot had been scheduled to appear. It was left to the Labour general secretary, Mr Jim Mortimer, to reiterate defence policy as set out in the manifesto.

Mr Healey's departure from the party line poses serious problems for Labour. He is more popular than Mr Foot to the broad mass of potential Labour voters and he has been encouraged to play an equally prominent part in the campaign.

However, he appears to have been stung by repeated charges, both from the Tories and from Dr David Owen of the Social Democratic Party (SDP) that he has abandoned his principles in yielding to left-wing pressure, particularly on defence, for the sake of party unity.

The party now faces the choice of repudiating Mr Healey, and so sharply reducing his value as an electoral asset, or standing by him and compromising its commitment to the manifesto.

Labour campaign managers were yesterday trying desperately to play down tensions within the party, insisting that "on most issues" Mr Healey's behaviour had been "impeccable." But there were signs

BRITAIN GOES TO THE POLLS JUNE 9

of intense irritation that, in moving beyond the painfully achieved compromises of the wording of the manifesto, he had put them at risk.

The Tories, who have been waiting for the opportunity to strike at Mr Healey – regarded as a far more dangerous opponent than Mr Foot – believe that they now have the ammunition.

Mrs Margaret Thatcher, the Prime Minister, speaking at the Conservative press conference yesterday morning, said Labour might try to retreat from its manifesto commitments, but it was too late.

The left-wing MPs who were likely to dominate the parliamentary Labour Party after the election would stick to the manifesto, she said. "If they got in, this is what the Left would claim gave them a mandate."

Tory campaign managers will try, in the coming days, to push the message that Labour has realised its defence policies are "unpopular and frightening to voters" and is trying to minimise the damage by allowing Mr Healey to suggest that the policies would not be implemented.

They will stress that Mr Healey is already an isolated figure in the party – only Mr Roy Hattersley, the home affairs spokesman, has explicitly supported him on the Polaris issue – and will be more so after the election.

Unless Labour manages to defuse the issue quickly, and at the moment the party appears in no state to do so, it is likely seriously to damage Mr Healey's standing in the party. If the row is seen to harm Labour's election chances, he could emerge as the main scapegoat.

Premier seeks lower rate of inflation

BY IVOR OWEN

A RE-ELECTED Conservative Government would seek to bring Britain's annual inflation rate "well below" the present 4 per cent, Mrs Margaret Thatcher, the Prime Minister, said yesterday.

She was strongly sceptical of the forecast by the National Institute of Social and Economic Research, in its latest review, that the annual inflation rate would rise to 8.5 per cent by the end of the year and to 8 per cent by the end of 1984.

Mrs Thatcher emphasised that the National Institute had revised earlier forecasts and added: "I would not necessarily believe in all forecasts. There is such a wide range of them."

The Prime Minister acknowledged that a consistent performance over a period of time would be needed for Britain to become firmly established as a low inflation economy.

It would have to be sustained over a considerable period, during which all the thinking and planning was based on the continuance of a low inflation economy.

Mrs Thatcher stressed: "I believe we can sustain a low inflation economy and that we can improve upon the present figures."

She refused to withdraw earlier allegations that Labour proposals for channelling more funds from financial institutions into industrial investment represented a threat to people's savings.

The Prime Minister maintained that Labour's election manifesto (programme for government) had to be read in conjunction with earlier policy documents, which amounted to "a quite devastating combination."

Mr Norman Fowler, the Social Services Secretary, who last week described Labour's proposals as the "biggest raid on private savings ever planned by the Left in this country", was equally unrepentant.

He referred to Labour's policy document The Financial Institutions, which provided for the establishment of a new state-run national investment bank, whose role would be to finance state planning and to work with public sector agencies.

One source of its finance would be long-term savings collected by the pensions and life assurance industry.

Mr Fowler dismissed a suggestion that such funds would be available to the new bank only by agreement.

DUP threat to Sinn Fein

By Our Belfast Correspondent

THE LEADER of Northern Ireland's Democratic Unionist Party, the Rev Ian Paisley, said yesterday that his election aim was to "take on and smash" Sinn Fein, the political wing of the IRA.

He called the Social Democratic and Labour Party "fellow travellers" of Sinn Fein, even though the two parties are fiercely competing for the votes of Ulster Roman Catholics.

Tories accused over tax

By Mark Meredith

MR ROBIN COOK, the Labour Party's Treasury spokesman, said yesterday that the Government was receiving more from taxation paid on unemployment benefits than from capital transfer tax paid on inheritance.

Mr Cook, speaking in Scotland, accused the Conservatives of being the party of high taxation for all except the highly paid.

He said that the proportion of earnings paid in deductions by a married couple with half average earnings had increased by 28 per cent during the past four years. He estimated that £840m had been earned for the Government through tax on unemployment relief, while £550m was estimated to have been brought in from inheritance.

"I find this a grotesque offence against the standards of human decency," he said.

Heseltine delivers the pure Tory message

Anthony Robinson, until recently the FT correspondent in Moscow, reports on the election campaign of the UK Defence Secretary

MR MICHAEL HESELTINE'S campaigning in the marginal seats of West Yorkshire this week earned him what Pravda would have described as "stormy applause" from large respectful Conservative audiences at election meetings.

The Defence Secretary delivered the pure Tory message – freedom, defence of the motherland, private property, prosperity through grit, hard work and talent – with ease, relish and passion.

First, however, Mr Heseltine spent time demolishing the sacred text of his opponents, the Labour Party's manifesto (programme for government) and those Labour leaders like Mr Denis Healey and Mr John Silkin "who knew that the manifesto was a millstone."

Mr Heseltine warned, "A new policy a day won't keep the Russians away." Relentlessly, he hammered away: "What has changed? Has the post-war bipartisan consensus on Nato and the independent nuclear deterrent failed? No, it's kept the peace! Has the Soviet Union become less dangerous? No. Its conventional, nuclear and bacteriological weapons are stronger than ever! The only thing that has changed is Labour Party policy."

By and large, however, defence is not a good issue for walkabouts in shopping centres filled with unemployed men and tired mothers with the groceries. Jobs, prices, race, rates, crime and punishment are not easily dealt with in a few words either, although all these issues came up.

"The trouble with Thatcher is she's trying to copy Reagan – spending all that money on bombs. The only difference is that they have the money and we don't," a thin, toothless man in glasses told Mr Heseltine.

It turned out that what really worried the man, Mr James McFarlane, was unemployment. He had been out of work for four years after a coronary attack, but he was more concerned about his unemployed 18-year-old son Paul, "sitting at home turning into a vegetable." I asked Mr McFarlane his age, guessing around 57. He was 44.

Similar hurt showed on the face of 57-year-old Mr Jovic Cedomir, who came to England from Yugoslavia in 1947 and was sacked from his labouring job in a local factory last Friday after illness. He was on his way to a Citizen's Advice Bureau about his rights to redundancy pay when he bumped into Mr Heseltine.

Pricing people into jobs may make economic sense, which many of the unemployed themselves seem to recognise. But for those at the receiving end, being at the mercy of market forces is not easy. Here in the industrial valleys of West Yorkshire with proud, brown sandstone town halls, abandoned mills, smokeless chimney stacks and solid names like Bradford, Halifax and Huddersfield, worldwide economic changes have not only taken jobs, they have wounded a way of life.

Mr Heseltine, with his own recent experience of inner-city Merseyside, is probably as aware of this as anyone, and poured scorn on Labour's own record for beating the problems.

However, the professed compassion of the Thatcherite Tory party did not go down well among unemployed Labour supporters in Keighley, where Mr Heseltine barnstormed for half an hour through a shopping arcade, graced by the ugly bronze statue of the legendary giant of Rumbold, the contours of whose backside were painted to make the symbol of the Campaign for Nuclear Disarmament.

Even the unemployed, however, were curiously loath to blame Mrs Margaret Thatcher for everything. "I blame unemployment on the Common Market, and besides, look at those mountains of meat and butter while millions are starving. It's disgusting," an unemployed lorry driver complained.

When I remarked that thousands of Poles had phoned Polish television to ask why Poland did not join the Common Market, after a programme about the EEC meat mountain, I was sharply rebuked for "trivialising the issue."

Despite the bitterness, and the class antagonism mixed with humour, class is a complex question here. Hard times have hit the industrial heartland where wealth and exploitation inspired Karl Marx to formulate the laws of class hatred. But millions of working-class Tory voters prove that many a British working man and his wife still like a "toff" to represent them and share the values of "a property-owning democracy."

For every disgruntled shopper, or jobless person, Mr Heseltine met in West Yorkshire, there were four or five others who assured him of their vote and their respect for Mrs Thatcher.

Liberal leader says Government created boom to buy votes

BY KEVIN BROWN

MR DAVID STEEL, leader of the Liberal Party, last night accused the Conservative Government of engineering an old-fashioned pre-election boom to buy votes.

The Government's claim to be responsible about the nation's housekeeping was sheer hypocrisy. "Both the money supply and Government borrowing have been allowed to rise dramatically. This carefully calculated candyfloss has caused a consumer boom in the High Street, but that is as far as it will go," he said.

"There will be no boom in the factories, no boom in the job market, no boom in investment."

Mr Steel, who was speaking in Northumberland, continued: "If the Conservatives are re-elected, then as soon as the election is over, the big squeeze will be applied all over again. We shall be brought back with a bump from the tinsel world of electioneering to the real world of higher interest rates and lengthening dole (unemployment benefit) queues."

The Alliance between the Liberal and Social Democratic Parties, he said, had long-term and carefully phased plans to invest in the creation of real jobs. The Government had denounced these plans, but had allowed its own public spending to rise with the sole intention of buying votes.

"Tories spend for votes; the Alliance invests for jobs. That is the stark contrast," he said.

Mr Steel acknowledged yesterday that the Alliance campaign might have to be changed because of the relative unpopularity of Mr Roy Jenkins, leader of the Social Democratic Party and the Alliance's prime minister-designate.

He insisted that Mr Jenkins (ex-president of the EEC Commission and a former Labour Home Secretary) was the right man to lead the Alliance into government. But he admitted: "Obviously we have not yet got across to people what I have been trying to underline – it is a joint leadership."

Mr Steel's remarks came after an opinion poll, carried out by Audience Selection for TV-am, showed that the Alliance could take second place behind the Conservatives if Mr Steel became the Alliance's prime minister-designate.

ADVERTISEMENT

COMMUNICATIONS IN BUSINESS AND SOCIETY

C. Itoh
Much more than general trading

By Geoffrey Murray

Although the Japanese term Sogo Shosha is commonly translated as general trading company, the men at the top in C. Itoh feel business activities have now become too diversified and grand to make the term really meaningful and more. Established in 1858 as a textile wholesaling company by Chubei Itoh, the firm first became the leader in that field before expanding its activities in many diverse sectors which today include not just distribution of goods on a global scale, but also capital investment in a wide variety of industries at home and overseas and the coordination of major international development projects particularly in natural resources. It now handles transactions with an annual turnover of almost 34,000 million pounds. On June 30th this year, Seiki Tozaki will be succeeded as company President by Isao Yonekura, currently an Executive Vice-President. In this interview, both men discuss the future role of the Sogo Shosha.

Murray: As we move into a high technology, information-oriented society heralding the 21st Century, is the need for the services of the Sogo Shosha going to grow or diminish?

The need will grow

Tozaki: Oh, I'm sure it will continue to grow. We long ago moved from simple transactions in goods to a major role as coordinator of new ventures marshalling all the necessary material resources, technology, human resources information and funds. As we approach the 21st Century, I am sure large-scale international projects will become more complex, requiring cooperation between many different types of companies across national boundaries. The Sogo Shosha are in an ideal position to play the central organizing role to ensure an equitable share-out of risk and financial burden. I see the character of our organization in future involving an emphasis on selling integrated systems of merchandise, technology and information to fulfill the needs of a new type of society. Ten years from now, the nominal scale of world trade will be two or three times the present scale. This presents an even larger stage for the global-scale management activities of the Sogo Shosha.

Murray: But it does seem that many Japanese companies now prefer to handle their own import and export business, bypassing you and the other Sogo Shosha. Isn't this going to affect your business?

Yonekura: It's true that during the 1970's direct trade by manufacturers bypassing the Sogo Shosha grew rapidly until it now accounts for around 35 to 36 per cent of total transactions. There were two major factors — rapid growth of exports of products like cars and home electrical appliances, which the manufacturers traditionally have handled themselves, along with a decline in the basic materials industries (steel, chemicals, etc.) where we had a major trade role. But I think this has now reached a plateau. Because of increasing market diversification, trade risks, as well as the need for barter agreement with developing countries, a growing number of manufacturers are now beginning to appreciate our activities more. But the main thrust for us must be in developing new areas of operation and making our activities more sophisticated. Certainly we cannot continue an unbalanced emphasis on basic materials. We have to strengthen our approach to merchandise of high technology with added value, like electronics. Secondly we have to fully develop our integrated information and sales capabilities on a global scale.

Industrial cooperation

Murray: How would you describe your role in alleviating trade friction between Japan and her major Western trading partners?

Tozaki: We are cooperating with the Government and manufacturers in many areas: orderly exporting, increasing overseas investments, expansion of imports, particularly manufactured goods, promotion of industrial and technical cooperation and collaboration in exporting to third countries. As far as the latter is concerned, 16.9 per cent of our total transactions currently don't involve Japan at all...in other words, offshore trade.

Seiki Tozaki
President

Isao Yonekura
Executive Vice-President

Murray: You have spoken about "industrial and technical cooperation". Can you give me a specific example?

Yonekura: Well, it has become a common pattern for the Sogo Shosha to become involved in global projects for development of resources like coal, oil and gas, non-ferrous metals, uranium, etc, through equity acquisition. These are all medium and long-range projects involving heavy investment and high risk. One example is oil exploration in Gabon. C. Itoh established Gabon Petroleum Company in a 50-50 equity arrangement with the Japan Petroleum Development Corporation and worked jointly in the African state with a French petroleum company, Elf Gabon. This offshore exploration was successful and we will soon be moving into full-scale production. We are also engaged in many international projects for new energy sources to substitute for oil. These include the current LNG project with the Soviet Union — with two more forthcoming projects with Qatar and Thailand —, coal mine development in Australia and the Western United States, as well as several projects for coal liquefaction and gasification. We are engaged in one such programme with China using technology from a leading American firm.

Murray: Could you discuss your cooperative activities specifically in relation to Europe?

Tozaki: We are cooperating with a wide range of European companies to promote trade, industrial collaboration and investment. As far as imports to Japan are concerned, I would cite British men's clothing materials, Italian textiles and West German sightseeing buses as typical examples. We have been participating in most of the 18 product import missions the Government has sent overseas since 1973 and this has enabled us to identify many areas where European companies have excellent opportunities for selling to Japan. The EC has many products of strong competitiveness — aircraft, chemicals, nuclear power equipment, to name just three — which will make inroads into the Japanese market. In the area of offshore trade, we are selling such European commodities as iron and steel and chemicals in third countries. Turning to the area of industrial collaboration, we helped organize a Japanese-British consortium to build a steel mill in the Philippines and a Japanese-Belgian-Spanish-Philippines consortium for a fertilizer plant project in the same country. We take a leading role in introducing European technology to Japan. One example is British uranium enrichment technology. To sum up: we believe we have an important role in promoting European economic development, by promoting European exports to Japan and other countries, forming international consortia for third countries in order to improve price competitiveness, develop wider sources of finance and share the risks wider, by assisting European partners in markets more familiar to Japan, promoting technology, investment and information interchanges.

Murray: Good information is now the most vital commodity for any company like C. Itoh. How do you ensure you keep abreast of developments worldwide?

Yonekura: We now have 142 offices in 84 countries, employing almost 3,000 staff, about threequarters of them locally-hired. All these offices are plugged into a computerised communications network centered on Tokyo. There are about 60,000 messages pouring into the head office every day, and in this sense our communications network is comparable with that of the major international news agencies. This information can be divided roughly into two categories: that required for day-to-day commercial activities, and data on international politics, economics and finance. With country risk an increasingly serious problem this political and economic information has become absolutely vital in determining our policies on overseas markets and credit, especially now that we are involved in so many important ventures with foreign companies as already mentioned. We regard cities like Washington, New York, London, Vienna, Panama, Cairo, Abidjan and Hong Kong as regional information points of particular importance and are strengthening capabilities as much as possible. We are also making great efforts towards developing stronger systems for the transmission and analysis of information at our Tokyo headquarters.

Sogo Shosha exportable?

Murray: In some Western countries, particularly the United States, some people hold the view that "if the Sogo Shosha worked so well for Japan it can work just as well for us." What do you think of this view?

Yonekura: The reasons why the Sogo Shosha developed in Japan are extremely complex. There are, for example, special factors such as an isolated geographical location and the unique character of Japanese people moulded by this environment. Being inhabitants of small, densely-populated and resources-poor islands, the Japanese have always felt a threat to their survival. As a result they developed a relatively serious character as well as an enterprising spirit befitting an oceanic country. The most rational approach for Japan was to develop as a country based on trade, and this provided the foundations for development of the Sogo Shosha. I also think that the Japanese having to act quickly in responding to change found a solution to the problem of national survival by creating the integrated trading companies. Just because the Sogo Shosha were successful in Japan, however, does not necessarily mean they will flourish in the soil of other countries. There are certain basic minimum requirements that any trading house must fulfill in order to develop as a Sogo Shosha. I would sum these up as: 1) effective participation in the distribution of industrial capital; 2) capability to procure funds, extend credit to customers and manage these activities effectively; 3) establishment of a worldwide network for business transactions; 4) training of international businessmen and organizing them into effective groups; 5) participation in all four forms of transaction-exports, imports, domestic business and offshore trade. If any of these is lacking it will be very difficult for a company to develop into a genuine Sogo Shosha.

C. ITOH & CO., LTD.

Tokyo Head Office: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo, Japan
Tel: (03) 497-2121 Telex: J22295

London Branch: London International Press Centre, 76, Shoe Lane, London EC4A 3JB
Tel: (01) 353-6090 Telex: 261981

Other Offices in Europe: Madrid, Las Palmas, Lisbon, Dusseldorf, Hamburg, Oslo, Stockholm, Zurich, Paris, Milano, Athens, Rotterdam, Brussels, Wien, Beograd, Sofia, Praha, Budapest, Warszawa, Berlin and Bucharest
New York, São Paulo, Cairo, Sydney, Hong Kong and 113 overseas offices

TECHNOLOGY

EDITED BY ALAN CANE

AUTOMATIC TESTING MOVES INTO "WHITE GOODS"

Broader role for Autosense

BY GEOFFREY CHARLISH

A 130-STRONG £5m turnover high technology company tucked away in the Oxfordshire countryside at Bicester is giving e new flavour to the acronym "ATE" (automatic testing equipment).

The company, Autosense Equipment, is transferring the ATE concept into products other than tho printed circuit board, integrated circuit and electronic instrumentation with which such testing is generally associated.

One of its first successes has been with the computer controlled testing of vehicle engines but it is moving into the consumer product "white goods" area where washing machines made by Servis and TI Creda, for example, are now put through their paces automatically using Autosense systems.

Autosense is part of United Technologies Corporation which turns over about $14bn annually and employs 190,000 people in 270 plants. Embraced by the group are some well known names such as Pratt and Whitney, Sikorski, Otis, Mostek and Norden (of Second World War bomb-sight fame).

UTC also deploys some 12,000 people in a central research centre at Hertford, Connecticut. So, in many engineering areas Autosense bas been able to draw on knowledge accumulated in the parent group.

The company is taking the view that modern tecbu,'ogy-based products that might contain any mixture of electrical, electronic, mechanical, bydraulic or pneumatic elements will increasingly need comprehensive bu1 low cost testing if they are to remain competitive on the basis of reliability.

Quality

Peter Dale, who manages the Autosense operation sums it up: "Quality and throughput are the keys to the future."

The company, set up in 1975, is probably best known for the model A500 diagnostic vehicles engine tester for use by both vehicle makers and garages. It is an equipment which on the whole has had more success in the U.S. where sales have been driven by the emission regulations. Some 400 have been sold from Bicester.

The A500 uses some clever clamp-on probes that allow an engine to be rapidly instrumeoted for timing without strobe lights or flywheel reference and permit temperature, pressure and electrical measurements to be easily made.

The user is guided through the test from a small TV-like screen and faults are printed out on a miniature printer. The unit, which is microprocessor-driven, costs £9,000 and for a further £3,000 exhaust analysis can be carried out.

In engine manufacture, Autosense has won major contracts from Perkins, Landrover, Leyland and International Harvester for systems that allow trolley mounted engines to be "plugged in" to the test unit with automatic self-sealing connections of water, oil and fuel lines.

The company has developed its own microcomputers to handle the high speed data that is produced and uses DEC and Honeywell machines to schedule and manage the testing.

In 1980 it was realised by technical director, David Grant, that the techniques are applicable to other product areas. Servis was particularly keen since its washing machine was the first on the UK market to be controlled by a micro, thus lending itself more easily to automatic test.

The TI Creda machine, however, has a front panel with knobs, so a mechanical operating interface had to be designed which could easily connect with the panel and then carry out all the functions that the human band would in practice. What is more, the design is mechanically "flexible" and will still be applicable if the front panel changes.

The manual testing of these machines is relatively expensive since it takes 20 to 30 minutes and involves subjective tests by a number of operators. Now, everything is measured properly via transducers and dealt with by the micros.

Data links

It is obvious that Dr Grant is keeping a careful eye on trends in manufacturing. He says: "If there are to be flexible manufacturing systems there will have to be flexible test systems." He foresees that there will be data links between the design (CAD), manufacture (CAM) and testing (CAT) functions with, ultimately, feedback from field service terminals.

If the cost of computing and communications continues to drop in relation to most other industrial costs, Grant believes that the present lack of field service feedback to manufacturing in many industries will improve.

Software is the element that is tending upwards in cost, but Grant suggests that with descending chip prices testing might well be implemented on some kind of switched hardware basis to provide test flexibility.

To test a wide variety of products. Autosense has focused on what it calls "non-invasive" sensors — measuring devices that can obtain data from the unit under test without direct connection that might interfere with performance. For example, it has developed a magnetic based probe that can detect pressure changes in a pipe by the tiny deformation of the pipe wall.

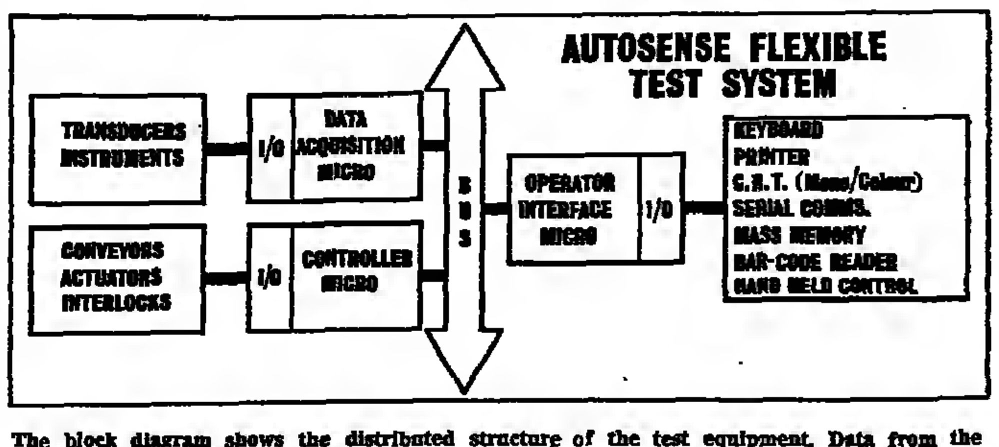
The other emphasis in system development are on diagnostics and mechanical interfaces.

In diagnostics the aim is to acquire data as quickly as possible from the transducers so as to identify specific faults via data analysis algorithms and fault matrix tables. It is also possible to provide data for CAD/CAM functions.

In the mechanical area the problems are to move and support the prodnct, connect the services and sensors and then actuate the product in whatever way necessary. So data from such things as conveyors, actuators and interlocks are dealt with by a controlling micro, as are the outputs from the transducers.

These micros, and another that connects the operator to his keyboard, printer, hand-held control and so on, all communicate over a data bus (highway) in what amounts to a distributed processing system.

It is early days yet, but the chances are that much more will be heard of this kind of testing i, the next few years.



The block diagram shows the distributed structure of the test equipment. Data from the transducers is collected by controller micros and fed to a high speed data highway (the "bus") which is linked to the operator console micro and the various peripheral devices

GEC COMPUTERS NEW INITIATIVE IN TOP-END MINIS

'Pipelined' processor for superfast computing

BY ALAN CANE

GEC COMPUTERS and its parent company's U.S. office automation subsidiary, A. B. Dick, have developed jointly a high performance, 32-bit (supermini level) minicomputer family, the Series 63.

The new range of machines is GEC's most ambitious ettempt yet to establish itself as e major force in the data procesing world. According to Mr Colin Thurston, GEC Computers managing director: "Compared with other systems aimed at the top-end minicomputer market or low end mainframe market we believe we have 50 per cent more power for 30 per cent less cost."

The significance of the announcement lies in the fact that GEC Computers (turnover £25m last year and in profit) has in the past marketed somewhat quietly a line of dependable but undramatic computers, the 4000 series one of whose main claims to fame is their use for British Telecom's Prestel database.

Mr Thurston says: "Three years ago we started work on design studies for a computer series which would leap frog the technology in the existing competition.

"A. B. Dick had a similar requirement for computer power in its electronic office developments so we pooled resources."

Development has been carried out et GEC Computers' Dunstable development centre and at the Phoenix Development Centre in the U.S. jointly funded by GEC Computers and A. B. Dick.

The new family, going on the manufacturer's specification, is very fast, carrying out three million instructions a second. (One million instructions a second used to be the measure of a fast mainframe less than 10 years ago.)

It achieves this by compressing the central processor unit onto two boards and using an advanced technique called pipelining where several instructions are "in the pipeline at any one time." GEC says: "The four-stage pipeline is designed to treble processing speed by using time otherwise wasted in waiting for instructions or data to be brought from memory."

The new family is intended for technical processing such as image processing, medical image processing, experts systems and very large scale integrated circuit design as well as office applications like file management. Prices start at about £80,000. GEC Computers is on 01-836 2205.

MITSUBISHI'S UNIQUE WATER COLLECTOR

Harvesting the desert wind

BY CHARLES SMITH IN TOKYO

THE SAYING that its an ill wind that blows nobody any good could turn out to be literally true for one of Japan'a major electrical manufacturers, Mitsubishi Electric Corporation.

Mitsubishi developed about five years ago what it claims is the only commercial device in the world for extracting water from air. The Mobile Water Collector costs Y100m (£280,000) and can be used anywhere in the world where petrol is available to produce up to 1,500 litres of drinking water per day (enough to cater for the needs of 450 people). Mitsubishi believes its water collector may be the very thing to stave off the crisis that could occur on the western shoreline of the Gulf in June when prevailing winds start blowing ashore portions of the huge oil slick that has been leaking out of two damaged Iranian oil wells.

According to Mitsubishi engineers who have spent much of the past decade working on water supply problems in the Middle East, several Gulf states, including Kuwait, are overwhelmingly dependent on desallination systems for their supplies of drinking water. The company says that, once oil is allowed to enter the hundred metres of pipe required for desalination systems to work, the system is liable to become completely unusable—or at least to produce water with a strong taste of oil. Mitsubishi accordingly started a few weeks back to contact governments in the Gulf area with remarkably positive results.

A six-man team which arrived in Saudi Arabia last week with sample units of the water collector has been asked to lay on demonstrations by the mayors of two Saudi cities (Al Jubail and Riyadh) as well as by no fewer than five government organisations—the Ministries of Defence, Agriculture, the Interior, Commerce, and the National Guard. In Kuwait the Ministry of Electricity and Water has displayed strong interest in the water collector and in both Kuwait and Saudi Arabia approaches are being received from soft drink manufacturers.

The water collector, which is et the moment being used mainly at oil exploration sites and construction camps in remote parts of the Middle East and Indonesia, consists of a 20-foot mobile container unit within which water is absorbed into a molecular slave before being "disorbed" at high temperatures into e condenser. Mitsubishi says the molecular sieve which consists of a chemical substance similar to, but far more powerful than, the desiccants used in food packaging, is the key to the system.

The water collector uses petrol to create the 260degC interior temperature needed to force vaporised water out of the molecular sieve and is consequently regarded as being a viable method of weter production only in countries which have ample oil reserves.

Peripherals

Low cost daisy printer

A DAISY wheel printer costing £675 has been launched by Teleprinter Equipment Ltd., part of the CAE group. The machine is intended for use with word processors and other computer applications where high quality printing is required.

The CAE is a compatible with all major microcomputers, word processors and minis. It is capable of printing 16 characters a second. More details are available on 0442 82 4011.

Electronics

High speed buffer amplifier

A HIGH-SPEED buffer amplifier has been developed by Harris Semiconductor to meet the needs of the video market. Designated the HA-5033, the device has a full power bandwidth of 80MHz and a small signal bandwidth of 250MHz. It can drive co-axial cable and will output up to 100mA into a 100 ohm load. More details of this device can be obtained from Harris-MHS in Slough on 0753 34666.

Prestel on Nixdorf

NIXDORF COMPUTER has added a Prestel communications facility to its 8860 series of distributed computer systems. It is based on the British Telecom package and allows any user to acquire information or send messages over Prestel.

UK NEWS

Foreign companies revise investment plans for Britain

BY LYNTON McLAIN

MORE THAN 80 per cent of foreign companies based in tho UK intend to expand their UK operations, but a smaller proportion of the companies plan to set up new manufacturing facilities than was the case three years ago, according to a survey of foreign companies in the UK published today.

At the same time, a majority of foreign companies in the UK believe there has been a "marked improvement" in labour relations in the country during the past three years. But less than a quarter of foreign companies in the UK say British products are good, according to the survey for the Annual Investment File, published by the Urban Publishing Company.

A total of 434 foreign companies in the UK were questioned. Only 10.6 per cent of those questioned want to set up new plants, compared with more than 18 per cent of foreign companies questioned in 1980.

More than 52 per cent of the companies in the survey believed labour relations are "good," compared with less than 46 per cent three years ago.

In 1980, less than one in 10 Japanese companies in the UK bad o good opinion of labour relations. This year, more than 40 per cent of Japanese companies in the country said labour relations are good.

These Japanese companies, and companies from other countries, however have o "very low opinion of British-made products," the survey says.

Withdrawal from the European Economic Community would adversely affect future UK investments by more than 40 per cent of all foreign companies in Britain. Nearly half the Japanese and U.S. companies said they would cut back their UK investments if the UK left the EEC, according to the survey.

Only a quarter of Jopanese companies in the UK were satisfied with the return on their investments in Britain. Almost two-thirds of Swiss companies were satisfied and 40.5 per cent of U.S. companies said they were satisfied.

Similarly less than one in five Swedish companies in the UK were satisfied with the productivity of their operations and only 27.4 per cent of all foreign companies in the UK thought their productivity was good.

The Annual Investment File, Urban Publishing Company, 17 The Green, Richmond, Surrey, TW9 1PX, price £9.

Isle of Man finance group faces inquiry

AUTHORITIES on the Isle of Man are planning an investigation of investors Mercantile Finance, the deposit-taking institution which had its licence revoked last December after it refused to provide audited accounts.

The investigation, likely to be headed by Mr Jim Noakes, the new Banking Supervisor, follows numerous complaints from depositors. Deposits with the bank total just under £2m.

Mr Noakes, a former Bank of England official, is expected to begin his formal investigation next month, once Tynwald, the Isle of Man parliament, passes amendments to the Banking Act 1975. This will allow for official investigation in cases where a banking licence has already been revoked.

Health fears

BRITISH TELECOM's plans to start introducing computerised telephone directory inquiries from next year could be beld up by union objections to possible health hazards.

Delegates to a Union of Communication Workers conference yesterday decided that no agreement would be given to any system involving continuous use of visual display units (VDUs) until a health and safety study had been conducted.

British Telecom recently signed a £25m deal with Standard Telephones and Cables for a computerised inquiry system, including 4,000 VCUs, for completion by 1986.

MacGregor gift

MR IAN MACGREGOR, chairman of British Steel Corporation (BSC), yesterday received a retirement gift of a £5,000 stainless steel chess set made at the BSC Scunthorpe works. Unions described it as "an insult to steelworkers who had lost their jobs." During Mr MacGregor's tenure, the BSC has cut the Scunthorpe workforce by half in three years to approximately 7,000.

New data service

REUTER, the international news agency, yesterday launched a new range of products to allow dealers to combine Reuter and other financial services with their own data held on internal computers.

Mr Mario Rosi, Reuter's European marketing manager, said the products would enable dealers to make instant comparisons between current rates and locally stored projections.

Corby expansion

APPROVAL has been granted for the construction of £1m worth of factory space in the industrially depressed Midlands town of Corby. More than 6,000 people are currently unemployed in the town.

Foden strike threat

WORKERS at U.S.-owned Sandbach Engineering in Cheshire, which manufactures Foden trucks, have given a warning that they will strike if the company goes ahead with a plan to make 90 people redundant.

Woolworth payout

WOOLWORTH HOLDINGS, which runs the British retailing chain, paid £585,000 in compensation to eight senior executives who lost their jobs last year, when the F.W. Woolworth group was taken over by a consortium of UK institutions.

RTZ expects lively annual meeting

BY GEORGE MILLING-STANLEY

A NEW voice will be added to the chorus of protest about Rio Tinto-Zinc's involvement in the Third World at the group's annual meeting tomorrow.

The Greater London Council's staff pension funds owns shares worth more than £3m in the international mining group, and the organisation's Mr Bryn Davies said yesterday that he is concerned at the possible effects on the fund's investment as a result of RTZ's activities in countries such as South Africa, Namibia, Australia and Panama.

Mr Davies added: "At past RTZ meetings, discussion on the company's involvement in Third World countries has been very restricted, despite intense pressure from many groups to bring about changes in policy and practices.

"At this year's meeting, I shall seek to put forward the GLC's views on these worrying issues, and to join with others in trying to get a full debate."

The last few meetings have been characterised by a well orchestrated campaign of protest at the group's activities in these areas, and, as Sir Anthony Tuke conceded in his recent chairman's statement with the annual report, the meetings have often been "lengthy and somewhat noisy."

Sir Anthony closed last year's meeting hastily, when it was clear that several of the protesting shareholders felt they had not bad sufficient opportunity to put their side of the case. The violence of their reaction meant that the police had to be called to clear the hall.

In an attempt to avoid a repetition of those scenes, RTZ has scheduled this year's meeting for 2.30 pm, which should allow more time for discussion.

Plan for utility car imports from Portugal

BY JOHN GRIFFITHS

UK IMPORTS of Portuguese-built UMM four-wheel drive utility vehicles will begin in July.

A new privately-owned company, Nickelplan UMM UK, has been set up to import and distribute the vehicles from o new headquarters building on the outskirts of Ely, Cambridgeshire.

The company has been set up by a group of individuals already operating in the motor trade, led by Mr Michael Thompson, managing director, who has garage and farming interests in Cambridgeshire.

He said yesterday that Nickelplan was aiming for 600 sales in the first year "rising to 3,000–4,000 a year by the third year."

The UMM range of vehicles, which has been on sale elsewhere in Europe for some years, uses Peugeot's 2.3 litre 494 diesel engine coupled to o Borg-Warner gearbox. UMM is seen by Nickelplan as filling a gap in the market between very small Japanese and East European four-wheel drive machines and the Land Rover range.

This is reflected in the planned prices of the UMM vehicles between £6,250 and £6,800, plus VAT, depending on whether they are in pick-up, bard top or station wagon specification.

Mr Thompson said Nickelplan envisaged o network of 100 dealers. It is currently in negotiations with about 40.

Two types of dealer are being sought: conventional motor trade outlets on the edge of larger towns and cities, and agricultural machinery dealers in rural areas, to whom a "workhorse" vehicle would be a logical extension of their mainstream business.

Nickelplan's sales targets appear to be ambitious. The total UK market for four-wheel drive utility vehicles in 1982 was just over 10,000, with 60 per cent of sales taken by Land Rover.

ICL profits confirm recovery

BY JASON CRISP

ICL, the only large British-owned computer company, has taken several more steps along the road to recovery since it was rescued by the Government two years ago. Yesterday, ICL announced modest pretax profits of £12.5m for the first half, ending March 1983, some £26m better than the same period last year.

The new management team, Mr Robb Wilmot from Texas Instruments and Sir Christopber Laidlaw from BP, began a major cost cutting exercise, closing plants and reducing staff by about 10,000 to just over 23,000 as part of its Government-backed rescue. At the same time – and at remarkable speed – it struck a series of collaborative deals on products with a wide range of companies stretching from the U.S. to Japan.

Unusual for a high technology company, ICL also spelt out its future product strategy for about five years. It was about the only way in which it could reassure customers, potential dealers, software companies and the rest of the industry that it had a realistic long term future.

The puhlic declaration of collaboration and product strategy is now coming to haunt ICL every time there is a problem.

ICL's major collaboration is with Fujitsu. The most important part of that collaboration gives ICL access to Fujitsu microchip technology to use in its new mainframe computers, DM1 and Estriel, which will be launched in 1984 and 1985 respectively.

Mr Robb Wilmot confirmed yesterday that there was no delay in this collaboration and the company was on target for the launch times. The second collaboration with Fujitsu is to sell a powerful IBM compatible computer.

Details, Page 22

TUC draws up job law reforms

BY JOHN LLOYD, LABOUR EDITOR

TRADES UNION Congress leaders have completed the major part of o review of proposals which would form the basis of a future Labour Government's employment legislation.

The TUC's employment policy ond organisation committee has in the past five months discussed a range of changes in employment law, to take the place of the 1980 and 1982 Employment Acts, which Labour has pledged to repeal. These include:

- New rights to protect workers from unfair dismissal, and to cover the individual at work;
- A reinstatement of those immunities from legal action repealed by the 1980 and 1982 Acts, and an extension of present immunities;
- A change in court rules relating to injunctions. The process of granting injunctions to employers against industrial action would be slowed down to allow unions to respond.

The injunctions issue is seen as important by many unions because of their effect in delaying industrial action to the point where it is no longer effective.

Unions believe that in deciding on the "balance of inconvenience" – a major criterion in awarding the injunction – judges usually hold that the greater inconvenience is suffered by the employer.

People Express prepares for the long haul

Richard Lambert reports on the U.S. airline where 'everyone is a manager' and which hopes to introduce its bargain basement style on the transatlantic route soon

PEOPLE EXPRESS has come a long way fast. Starting in April, 1981, with three aircraft servicing four cities, it now operates 21 Boeing 737 aircraft over a route system of 16 airports in the eastern part ef the U.S., centred around New Jersey's Newark International Airport.

In the first quarter of this year, it flew over 1m passengers. And while the main U.S. carriers were reporting losses of ever $500m, it checked in with a net profit of $1.1m.

Now the airline is poised fer another major move forward. By the middle of 1985, it plans to be running a fleet of 60 aircraft—including a Boeing 747-200 jet with which it hopes tomorrow to start operating e scheduled service between Newark and London's Gatwick Airport.

The combination of recession and deregulation has sent most of America's airlines into a tailspin, by throwing excess capacity on to the market and allowing cut-throat price competition. For People Express and a handful of other airlines, however, the past few years have brought a unique business opportunity. The company has been able to buy second-hand aircraft at bargain basement rates, and to operate them at prices which have left the competitien gasping.

Donald Burr, a fast-talking 42-year-old, is chairman and president of the airline, which he runs from the corner of a cluttered boardroom in Newerk's grubby north terminal. Interviews are punctuated by the shriek of jets outside the window and frequent interruptions by colleagues. People Express has annual sales of well over $200m —and no secretaries.

With o calculator flashing et bis finger tips, Burr runs through the key numbers. The first 17 aircraft were bought from Lufthansa—"They were so clean you could run your finger over them."—for $4.5m each. The next four (a rather bigger version) came from Canadian Pacific at $5.5m e time.

People Express ripped out the galleys and the first class compartments, and increased the seating capacity by as much as 30 per cent. That way, it payed roughly $40,000 for each passenger seat—maybe e quarter of what you might have to spend on a brand new aircraft.

Its aircraft fly on averege for just over 12 hours a day, compared with an industry figure of around eight hours, and the airline has around 50 employees for every aircraft it eperates, which, Burr says, is roughly half the average for the competition.

This is made possible by a management structure which is designed to involve workers in as many aspects of the business as possible. The hierarchy is almost invisible. "We have 15 corporate officers, around 100 team managers, and then all the other managers," says Burr. "Everyone is a manager."

Employees are divided into three groups—customer service managers, who might ene day be acting as a reservations manager and the next as a flight attendant: flight managers (otherwise known as pilots) who are expected to be involved in work on the ground as well as in the air: and maintenance managers.

The idea is that the staff can be switched from one part of the business to another, according to where they are most needed.

There are no unions—and all full time employees are required to buy shares: 100 apiece in the case of customer oervice managers, and 200 for a flight manager. After the recent surge in the sbare price, that represents a stake of up to about $8,000 in the bealth of the airline.

In addition, there are two profit-sharing schemes. Burr says that wben the airline is up and running, employees sbould expect to make anything between 25 to 50 per cent ef their base salary through profit sharing.

In an industry where prices are regulated, companies tend to compete with eech other by offering extra services. That is why most airlines still offer "free" meals and ether frills as a matter of course. Not People Express. Its passengers are encouraged to carry on their own baggage: if they don't, they have to pay extra. If they want drinks or snacks, they have to pay for them. There are no ticket counters: you either buy your ticket at a travel agent, or en board the aircraft.

By "unbundling" such services and charging separately for them, People Express is able to bold down the basic cost of a ticket.

With one modification, the transatlantic route will operate on the same principle. Unlike the domestic eperation, there will be two classes: the econemy service at a one-way price of a proposed $149—way below existing fares—and a premium class at $439 each way. But passengers will have to pay $3 for each bag that they check in other than what they can stow under their seats, and they'll also have to pay for drinks, meals and the in-flight movie.

A simple route structure also helps to keep overbeads down. Whereas the route maps of many airlines look like the work of a lunatic spider, People Express serves a tight network from its Newark hub—the industrial centres of the north eastern U.S. and five destinations in Florida. The aim, says Burr, is to build en "destination value."

Not enough people want to fly from Syracuse to Newark te sustain the half-dozen daily flights needed to make the service pay. But if you can then offer a low price connectien on through to Florida, the market expands enormously.

"They come ecross the Canadian border in bordes," says Burr. "It costs just $49 for a four hour trip from Canada to Jacksonville: It's sensational value."

In contrast to the 57 varieties of fares offered by many airlines, there are just two choices on People Express: peak and off-peak. On short-haul routes, the airline claims its off-peak prices range from 25 to 35 per cent of the coach fares prevailing before it entered the market. On peak fares, the range is 45 to 80 per cent.

On this basis, the operating revenue from each passenger currently works out at just under 8 cents for every mile flown. By way of comparison, U.S. Air takes in 18 cents a mile. But since the total cost of every mile flewn by People Express comes to under 6 cents, the airline is still able te make a profit.

An analysis of airline costs calculated by the U.S. Civil Aeronautics Board for the year to last June shewed that People Express was well ahead of the pack of airlines flying over comparable distances. Its costs per mile then came to around 5 cents; Eastern and Delta were nearer 8 cents, and U.S. Air came in at over 10 cents. In a highly competitive market, thet represents an enormous edge for the Newark-based airline.

This strategy bas brought the airline powerful friends on Wall Street, and that in turn has made possible the next big expansion phase. Its investment banks are Hambrecht and Quist, a West Coast leader in the high technology sector, and Morgan Stanley, an institution which does not often lend its name to the little league. With their help, People Express has raised over $80m of new equity in three separate offerings over the past 30 months.

Its shares have recently traded at dizzy beights on Wall Street, where the company has been valued at about $360m or more than four times its net book value.

With this strong financial backing, Burr has agreed to buy 30 second-hand Boeing 727-200 aircraft for around $141m and — subject to certain conditions — another seven for $35m. The whole lot will be delivered during the next 24 months. He has also taken an option to lease e nearly-new Boeing 747 from Braniff for the London run.

Burr shrugs off the scale of this expansion. "We etarted with nothing, and took delivery of 17 aircraft at the rate ef 1½ a month without missing a service start-up date," be says. "We are now contracted to take in a let more aircraft, also at a rate ef about 1½ a month, but this time we've got an infrastructure in place to handle them."

The 727s will cost between 25 to 30 per cent more to operate than the current fleet of 737s—but their seating capacity is almost 50 per cent greater.

"We only need 10 more passengers a flight on average to have the same break-even point with these aircraft," calculates Burr. "Once we go above 10 more people, watch out."

In recent months, People Express has been selling about 80 per cent of all its available capacity, which means that it has been turning eway passengers on peak services. Burr believes that with the addition of a few extra cities, the existing route structure will be able to ebsorb the extra capacity with no strain.

The proposed London route is something else. The service between London and Newark—which is as handy for Manhattan as the more glamerous Kennedy airport — has never been pushed hard by the established lines. "It's a *de facto* monopoly on one of the largest international markets in the world," drools Burr. "We would never let an opportunity like this pass us by."

In April, the U.S. Civil Aviation Board gave People Express permission to offer e restricted service on the ronte, and the airline is now anxiously awaiting the decision of the British Government. If it gets the go-ahead, it will operate up to five flights each way a week

The airline will offer one-way through prices to London from all the cities in its system. For instance, West Palm Beach to London will cost $218 in the economy class, while a ticket from Columbus, Ohio, will come to $184.

What could go wrong with Burr's plans? Unlike other no-frills airlines — Laker, for instance—People Express has paid as much ettention to its balance sheet as to its operating and marketing strategy. As e result, it is well capitalised by the standards of the airline industry.

The big qnestion, bowever, is wbether it will be able to adapt its present management style to the needs of e much larger organisation. At the end of March, it had 1,200 full-time employees—and it is going to have to hire and train up to another 1,000 people by the end of this year. Meanwhile, the employees' interest in the company has been diluted by the public stock offerings—they now own under 30 per cent of the shares. And Wall Street's enthusiasm may not be entirely beneficial—if investors were to turn sour on the stock, Burr's managers would be the direct victims.

Maintaining their *esprit de corps*—a key factor in the airline's low cost structure—will be one of the majer challenges in the years ahead.

Donald Burr and Boeing 747-200 jet at London's Gatwick Airport after a proving flight from Newark, New Jersey

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Builder's exemption

I returned to England in December 1982, after living mainly in Japan and Korea for eight years.

I applied to Staines tax effice, about three weeks ago, for a builder's exemption certificate (715), to work as a roofing contractor and have been told by the head tax officer that I have been refused because I cannot give records of earnings in the UK fer the preceding three years and under some rule schedule 12, I cannot be considered for at least three years. When I left England in 1976 to go abroad, I had a 715 and paid all taxes due before leaving, informing the taxation department I was terminating my business as a roofing contractor and leaving the country.

The tax officer told me it was no use appealing as there is nothing they can do as the law is the law.

I find this bard to believe, when I can get work and could employ someone except for the 30 per cent tax deducted at source.

Is there any way I might be able to work as a roofing contractor dealing mostly in labour only, where tax will not be deducted at source?

We suggest that you write to your MP, because the changes made in section 47 of (and schedule 8 to) the Finance Act 1982 are not producing sufficient easing of the arbitrary discrimination against people like you, who have an exemplary UK tax record, but who have been abroad for a number of years. It is to be hoped that your MP can persuade the Chancellor to build on last year's changes to the rigid rules, which heve placed administrative convenience far above natural justice and economic common sense.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

A FINANCIAL TIMES SURVEY

ISLE OF MAN

JUNE 6 1983

The Financial Times is proposing to publish a Survey on the Isle of Man in its issue of June 6, 1983. The provisional editorial synopsis is set out below:

INTRODUCTION Developments in the banking scene dominate the economy of the Isle of Man. The appointment of a banking supervisor and the report submitted to the Manx governments are indicators of the seriousness with which the authorities take the creation of a stable banking and financial community. But banking is only one aspect of the Manx economy and the survey will look at developments which are taking place in the more traditional sectors.

The editorial coverage will also include:

BANKING
INSURANCE
POLITICS
TOURISM
INDUSTRY
MANX AIRLINES
THE SHIPPING WAR
COLLECTORS' CORNER

For further information and advertisement rates, please contact:

Brian Heron
Financial Times, Queen's House
Queen Street, Manchester M2 5HT
Tel: 061-834 9381 Telex: 666813 FINTIM G

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The size, contents and publication dates of Surveys appearing in the Financial Times are subject to change at the discretion of the Editor

THE ARTS

Television/Chris Dunkley

Media mania and the magic box

The general election is a godsend for television which, until Mrs Thatcher's decision to go to the country, was marooned in a desperately dull patch of programmes.

No doubt many viewers feel that you could not get much duller than the present round of election coverage, but for television itself the event provides a marvellous counter-irritant, drawing attention away from such disasters as ITV's two big drama serials about the world of pop music *Studio* and *No Excuses* and from the cheap, shallow American "mini-series" such as *The Blue and The Grey* with which the early summer schedules are being packed.

Not only does the election help to reduce the concentration on such dross, it also causes adrenalin to go pumping through the television system. However cynical the general public may be about politicians and however disenchanted with election campaigns, television people thrive on them.

The reasons are not hard to find. First, politicians and television journalists tend to be much alike: opinionated, glad to be in the public eye, and keen to influence public affairs. Many (such as Christopher Chataway, Geoffrey Johnson Smith, Austin Mitchell, Brian Walden and Philip Whitehead) have worked on both sides.

Second and more important, television in the ordinary way takes a lot of stick, being blamed for everything from poor standards of literacy to the rise in crime statistics, and politicians in particular tend to be scathing about the supposed malpractices of the idiot's lantern.

Comes the election campaign, however, and all of a sudden the entire political population from The Boy David in the middle to Worzel Gummidge on the left and Tarzan on the right (*I am indebted to Sir Robin Day and the excellent Question Time for the sobriquets*) is clamouring for space on the magic box.

What is more, the newspapers' tastes for television stories change dramatically: instead of concentrating on disastrous breakfast ratings or the latest row over sexy scenes in a soap opera, the newspapers start to quote television's political programmes, often at tremendous length. In one national daily on Monday the first and second lead stories on the front page, the back page, and page two were *all* inspired by or quoting from the previous day's programmes as was the main political feature on the centre spread. That was in addition to space specially set aside for reviewing these programmes.

Thus do we find ourselves at the centre of a form of mass media "howl-round" of a sort which has been identified before in this column in connection with other subjects. The newspapers quote the programmes, and the programmes "follow up" the newspapers in an accelerating spiral of amplified sound until the onlooker is forced to cover his ears at the screeching.

Ben Elton in next Sunday's edition of "Alfresco": deja vu?

As a newspaper journalist writing habitually about television I do have a special interest in the precise pitch of that screech, and I expect to return to the subject before the campaign ends. For the moment—what about the rest of the programmes?

There does seem to be a quite unusual amount of rubbish about. Last week BBC2 even had the audacity to slip into the schedule a programme called *The Cobblers Of Umbrage*. Its credits suggested something unusual: written by John Fortune and John Wells, produced by Ned Sherrin and Terry Glinwood and directed by Sherrin Ian Wilson It starred John Fortune, Derek Griffiths (a huge talent of which we see far too little), Roy Kinnear, Lance Percival, Willie Rushton, Joan Sims and John Wells.

Why was there no promotion, no Radio Times feature, no picture, no Press review for a work with such a line-up? Was the content awful and the BBC quietly cutting its losses? It turned out to be a mediocre spoof on "The Archers" with people gasping "You mean—" and promoting Government propaganda leaflets. But the reason for the softly-softly act only became clear when the credits rushed past with a carefully disguised date: MCMLXXIII. Admittedly it was pretty poor stuff, but why wait 10 years to show it?

Perhaps the BBC felt slightly ashamed of such limp material having previously produced all the best satire shows: *That Was The Week*, *Monty Python*, and *Not The Nine O'clock News*. There are two current series which are clearly inspired by those famous programmes, one from the U.S. and one from ITV, and although they each provide a relaxing half-hour, neither is up to the standard of the BBC originals.

The American effort, *No Soap, Radio*, is clearly modelled on *Python*. Not only does it mix from one mad situation to another without break just as *Python* used to, but last week it even had a tough Canadian backwoodsman song which was borrowed straight from "I'm A Lumberjack And I'm OK."

ITV's Alfresco delved even further back for one of its sketches. If, like me, you fell about at *Beyond The Fringe* in 1961 when Dudley Moore rushed in and begged "Please Sir! I want to join The Few" *only* to be told by Jonathan Miller "I'm sorry, there are far too many" it seems unlikely that you did more than smile on Sunday when the latterday *Footlights crowd in Alfresco* delivered their laboured sketch about The Few.

The significance of the 1961 joke was that for the previous 20 years The Few had been treated *with unbroken reverence* so that it took courage (and, some may think, had taste to break the spell. *Alfresco* is not in the spell-breaking business. To be as iconoclastic today they would have to attack such sacred cows as feminism, the welfare state, or the liberal-humanist consensus in the mass media, and neither *Alfresco* nor any other current series has that sort of courage.

Good factual programmes are almost as rare, the only truly impressive documentary series of this season being *Vietnam* on Channel 4 which last week painted a contrast between American matériel and primitive Vietnamese improvisation which was enough to change one's view of the nature of that war, if subtly.

The only other striking factual series is BBC 2's George Plimpton-style "I'll have a bash at that" programme *In At The Deep End* which last week reached Ruth Jackson's account of Paul Heiney learning about competitive carriage driving. This proved highly entertaining, thanks to Heiney and some spot-on editing, but it was of course a repeat.

So too is ITV's series *Minder*, but then one's time is better spent watching George Cole's and Dennis Waterman's small-time crooks twice than watching most of this season's new drama once.

In BBC2's *Possibilities* Jonathan Raban used the occasion of a man looking around a newly converted flat with an odious estate agent (rather too studiously a "gift" of a part matchingly over decorated by Tim Brooke Taylor in his first straight role) to flash forwards instead of backwards to the depressing and ultimately suicidal life he would live there. In 50 minutes it failed to satisfy on either level: the flat inspection was inconsequential and the life to come in the flat pretty much unexplained. *Braver script* editing might have helped.

However, since the week also brought us the first two episodes of *No Excuses* there was little danger of Raban's play looking really poor, by comparison with the second of ITV's pop world drama serials almost anything would look quick, slick and unpretentious.

The thinking behind *No Excuses* seems to go like this: serial drama is better than single plays, because it holds the viewers. But all that costume stuff from the BBC is old hat, and ITV now has something of a reputation with contemporary serials (*Muck and Brass* most recently) and we want to pull in the younger C1, C2, D crowd as well as the ABs, so let's make sure it has a strong rock music flavour, and let's get away from all those middle-class writers of cathedral-close adaptations—how about Barrie Keefe?

The result so far has been *an opening* episode which was under water slow, held back even more by long breaks to allow Charlotte Cornwell (who sounds like someone at an Edgware talent contest imitating Billie Holiday) to come on like Janis Joplin, and a second episode which went for shock: the shapely Danish girl at the dinner party taking her knickers off, the male guests smelling them — "Ah, ambrosia," said one—the butler being grabbed by the genitals, and so on.

It is formula drama of the most transparent kind, and quite enough to drive anybody back to television's election merry-go-round.

The Dancing Department

Clement Crisp

How proud Robert Cohan must be of his dancers. At Monday night's opening of the London Contemporary Dance Theatre's spring season, at Sadler's Wells, the company looked stronger, more varied in its talents and in its skills than ever before, and Robert Cohan's importance as director, teacher, guide to their development was tremendously apparent.

This two-week season marks the end of his tenure as artistic director of the troupe, and in 16 years he has created an ensemble, a style and a choreographic tradition of unique richness in the contemporary dance world. There *is* much gratitude to be expressed, and tomorrow night's gala (which will salute Cohan as choreographer) may be a more opportune moment to say proper thanks, but this *initial* performance was a splendid justification of his work.

The dancers are all graduates of the company school; choreography came from three artists made by *LCDT*; in the fourth work—Paul Taylor's *Esplanade*—the performers matched themselves, and brilliantly proved themselves, against the highest standards of the international repertory.

The evening began with a Siobhan Davies' work new to London. *The Dancing Department* is set to Bach's *Musical Offering*, and it borrows *certain* formal attitudes from the improvisatory devices of the music's ricercar, so that a movement idea is stated, then reworked or extended. David Buckland's design shows five panels at the back of the stage which offer comments upon an aluminium-coloured grid hanging over the stage. The cast is dressed in silvery shades, save for a couple in red and another pair in blue. The effect is rather claustrophobic, and there is a contemplative and almost secretive air about the progress of the dances, the working-out of the choreography having the self-absorbed nature of private experiment rather than a theatrical event.

There is much to admire in the way Miss Davies explores certain creative processes, in the way dance seems to move down a line of dancers, and is thus amplified and prolonged. More space, more light, less-deadening costumes might expose more of the work's virtues; at a first viewing I was conscious of something cramped and unyielding in the exposition. But I want to see the piece again.

There are no problems about Tom Jobe's *Liquid Assets* which came next. It is hard-driven, limb-flailing, high-stepping dance, insouciant for all its hectic energy, and acutely responsive to the furious mechanical pulse of Conlon Nancarrow's player-piano rags, while Mr Jobe's own solo — a fraught comment on getting up in the morning — is wild and funny.

Nor is there any lack of precision in Christopher Bannerman's *Second Turning*. Three studies by Ligeti for two pianos, admirably played by Eleanor Alberga and Alan Gravill, provide a strong emotional basis for the choreographer's autobiographical exercise about his return to his native Canada.

The dazzling close to the evening was Paul Taylor's *Esplanade*, given a coruscating performance. This is a dance work about not-dance, about walking, running, falling, sliding, crawling, as choreography, and about the emotional possibilities of this every-day movement. At no point does Taylor's invention betray or minimise the Bach violin concerti that his accompaniment, and in the finale—a torrent of falls, of runs, of flying leaps and leaping *spirits*—the exhilaration of the presentation was superlatively good. It was a grand ending to a grandly danced programme.

Lauren Potter in "Esplanade"

SPNM Gala/Barbican Hall

David Murray

The Society for the Promotion of New Music is 40 years old, and celebrated the anniversary on Monday at the Barbican. The concert was an exuberantly over-egged pudding, too variegated — and finally just too long — to digest comfortably, let alone to review. Successive appearances by the Arditti Quartet, the London Sinfonietta and Electric Phoenix (all preceded by *specially written* fanfares) were to have been separated by intervals; in the event the first interval was suppressed, but the Phoenix presentation still stretched out far beyond the allotted time.

The fanfares were often ingenious, and deserved to have been projected from the stage, rather than just-overheard in the foyers as *musique d'ameublement*.

The Arditti Quartet offered first performances of very early pieces by established names: the 16-year-old Britten's "Quartettino" (precociously inventive, already individual), an Alexander Goehr slow movement (tentatively built, but with characteristically ruminative solo lines), a furiously lively experiment by Peter Maxwell Davies.

The Arditti also introduced Edward McGuire's recent Quartet to London, a skilfully shaped, transparently attractive piece which sounded unfairly middle-of-the-road in the company of those much older student works. The same impression might have been made by the first Sinfonietta offering, Robin Holloway's new Concertino no 4 ("Showpiece"), but wasn't; Holloway's continued dalliance with the musical gestures of past times is provokingly ambiguous, and full of offhand surprises. As usual, we must wait to hear further how much more then affectionate tail-tweaking is involved. The Concertino is mostly an uproarious rondo, with a slow section of plonking solo turns.

The other Sinfonietta performances were of Brian Ferneyhough's *Carceri d'invenzione I* (which they premiered 8 months ago) and of the new "second fragment" of *Summer Music* by James Antony Ellis. The latter was dense—but nothing compared to the composer's programme-note, an overweening candidate for Pseuds' Corner. The players were kept grimly busy (it wasn't clear that the continual predominance of the trumpet was anything more than a matter of misjudged scoring); the listener's ear got no direction. The Ferneyhough *Carceri*, also knotty and teeming with notes, has the substantial advantage of sharp sensitivity to instrumental timbre, and thus enough effective eloquence to tide one over some gristly intricacies.

The new Electric Phoenix commission was *The Legacy*, a music-theatre piece by William Brooks. There are happier contributions by him to the Phoenix repertoire. *The Legacy* was direly interminable—vacuous sophomore "theatre" with the merest residue of music for this brilliant voices-and-electronics group. The audience straggled away. The SPNM workshops and rehearsal-performances are invaluable, but their full-dress public concerts are regularly discouraging; are they really necessary?

Fires of London sweep New York

Without much advance publicity—except for the Fires of London—waves of British music suddenly began to break over New York in April, and are still breaking. It was, we learned, a festival called "Britain Salutes New York 1983," marking the bicentenary of the Treaty of Paris in which Britain formally recognised the independence of her Thirteen Colonies.

From the British papers we *discovered that there was* once to have been more of it: the London Sinfonietta with Elliott Carter's *In Sleep, in Thunder*, the Academy of St Martin's with Peter Maxwell Davies's new Sinfonia Concertante. Those visits were cancelled because funds ran short. The leader's illness cancelled a visit from the Martini String Quartet with Davies's Little Quartet. But what hadn't been announced wasn't missed. There was already more than enough—at a time when the city's regular musical life was itself at high tide, and in addition the Finnish National Opera had come to the Met.

The Fires gave three sold-out concerts, in three days, in Symphony Space—a shabby, informal, agreeable concert hall, once a skating rink, once a cinema, on the Upper West Side, in a lively fringe area where the street language is Spanish, where many musicians live, where drunks push their way, mildly grumbling, through the chattering musical crowd that fills the Broadway sidewalk during intervals. The Fires first programme was *Jongleur* and *Mad King*, and the third was *Miss Donnithorne* and *Vesalius*—a stunning performance of the last, with Tom Yang as the dancer: the most searing and inspiring I have seen and heard. The Fires were ablaze throughout. Their playing, and Davies's music, fell on New York like lightning.

At the middle concert, Davies's *Image, Reflection, Shadow* had its American premiere, and Elliott Carter's Triple Duo its premiere. *Image* was eloquently reviewed on this page after its first performance; in New York, too, the *luminously* beautiful music was heard with rapture, and the dusky golden melodies and exuberant note-filled flurries of Gregory Knowles's cimbalon *excited particular admiration*. The Triple Duo, which lasts 22 minutes, was composed for the Fires and represents Carter's return—after the song cycles *A Mirror on which to Dwell*, *Syringa*, and *In Sleep, in Thunder*—to chamber music for instruments only.

Like all Carter's recent chamber music, Triple Duo is a drama, its score a "scenario" for six instruments to enact. Each of them has its own character, accent, repertory of gestures and vocabulary. As the title suggests, the dramatis personae fall into three couples: flute/clarinet, violin/cello, piano/percussion. In their individual dialogues, they sometimes quarrel and draw *far* apart (flutist takes up a shrill piccolo while clarinettist moves into the wise, grave tones of the bass instrument). It's a riveting discourse—a fantasy of discussions, arguments, and agreements, seasoned by some good witty jokes—which is high-spirited, boundlessly inventive, and beautiful in its shapeliness and its sonorities.

Nothing else caused quite the stir that the Fires did. Two LSO concerts conducted by Abbado fell into the normal run of a city that has only one regular symphony orchestra of its own, the Philharmonic, but a copious stream of visiting orchestras. The programmes were conventional. If Abbado had billed, say, Brian Ferneyhough's *La Terre est un homme*, which he played at his inaugural concert with the LSO, people might have taken some notice. British music was represented by the Elgar Cello Concerto with a Brazilian soloist.

John Eliot Gardiner's Monteverdi Choir and English Baroque Soloists had a big success. Their *Israel* in *Egypt*—a few days after the Barbican performance reviewed on this page—brought the Alice Tully Hall audience to its feet, cheering. And rightly so. In Town Hall, they did Purcell beautifully and Handel's exuberant *Dixit Dominus* brilliantly. With Gesualdo, Gabrieli, Schütz, Purcell, and Bruckner they then explored the huge resonant spaces of New York's Anglican Cathedral, St John the Divine. This is an immense Gothic building, 600 feet long—about 50 feet longer than Winchester — and very tall, with side aisles as high as its nave.

The Baroque Soloists are something New York lacks—a (*seventeenth- and*) eighteenth-century orchestra, with eighteenth-century instruments *and* techniques, accustomed to playing together, who play in tune, and play freshly and musically. *Israel* came as a revelation.

ANDREW PORTER

Beatrice and Benedict/Grand Theatre, Leeds

Arthur Jacobs

Opera North held out the alluring promise of a revival of Ronald Eyre's celebrated Buxton Festival production of 1980. It was that production which proved, against expectation, that Berlioz's *Beatrice and Benedict* can sparkle with a *life* of its own and yet retain the original flavour of Shakespeare's *Much Ado About Nothing*. A superb cast, headed by Philip Langridge and the charmingly bespectacled Ann Murray, was schooled to frame the sung part with an attractive rhythm of speech, in Mr Eyre's own clever adaptation of the dialogue.

Alas, Mr Eyre's production and presence became unavailable to Opera North. David Alden, the American producer called in to replace him, with David Fielding as his designer, decided to be boldly different. Instead of Renaissance Italy, we have Victorian England with bearded officers returning from the wars and Beatrice and Hero in nurses uniforms (out of period) to receive them. Black and white—mainly black—prevail.

The whole of the Grand Theatre stage is exposed, right back to its "No Smoking" notices and fire hoses, to accom*modate a multiplicity of sug*gested locations.

Not witty but, on the contrary, confusing and heavy, it does not work. The airy, delectable orchestra playing under David Lloyd-Jones receives no visual counterpart. And not much vocal counter part either. Claire Powell as Beatrice is squally of voice and forced in manner, and Eileen Hannan as Hero can manage the tenderness but not the coloratura. John Brecknock in ringing *voice hits the right* vein of ardour for Benedict, but the other principal male parts are not so sharply taken. Linda Hibberd contributes a sympathetic and true-toned Ursula. The frail structure of Berlioz's opera barely stands up to this generally rough handling.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 20–26

Theatre

NEW YORK

Showboat (Gershwin): A clever pastiche of vaudeville and theatre works like magic in the story of life on the Cotton Blossom where shows plied the Mississippi and provided unrivalled entertainment, especially with this production's outstanding feature performers giving heart-felt renditions of the 1927 Kern-Hammerstein songs like Ol' Man River, Bill, and Life Upon the Wicked Stage. (51st W. of Broadway, 586 6510)

Duet for One (Roundabout): Eva Marie Saint brings to New York her starring role as the stricken concert performer facing her psychiatrist in Tom Kempinski's theatre a clef. (242 7800).

Brighton Beach Memoirs (Alvin): As usual, Neil Simon is more funny than touching even when recalling painful puberty in 1937 as his family struggles with the Depression, with an excellent cast led by Matthew Broderick as the aspiring teenage writer. (757 8646).

A View from the Bridge (Ambassador): Broadway and Arthur Miller finally have a hit for the new year – Arvin Brown's musty but true revival of the melodrama of forbidden love in New York dockland. Tony LoBianco may reach the full pitch of contrived despair too soon, but audiences love the schmaltz, even in an Italian accent. (239 6200)

Amadeus (Broadhurst): David Dukes stars as Salieri in the award-bedecked and elegant National Theatre production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Carrie Fisher enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing Technicolor Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (245 5760)

CHICAGO

The Dining Room (Goodman, 200 S. Columbus Dr.): A. R. Gurney Jnr's vision is confined by four walls, the four walls of a middle-class New England family as it changes with its inhabitants. (443 3800)

Red River (Goodman Mainstage): Robert Woodruff directs David Mamet's translation of Pierre Laville's speculation on the lives of Bulgakov and Mayakovsky as the two Soviet writers struggle for their lives and work. (443 3800)

Cloud 9 (Apollo): The premier of Caryl Churchill's dissection of the English character seen first in the wilds of colonial Africa and then in a contemporary Islington garden follows Tommy Tune's New York production under the direction of Don Amendolia, who performed in the New York version. (2540 N. Lincoln, 935 6100)

Kennedy's Children (Pegasus Players): Robert Patrick's deadpan and discouraged discourse on the youth of the 1960s as reflected through the mirror of a New York bar in 1974 still reverberates in the 80s. (1020 W. Bryn Mawr, 271 2638)

E. R. (Organic, 3319 N. Clark): This hit-and-miss local company has a long-running success with an earnest parody of hospital-based melodramas, starring Gary Houston as an ambitious young doctor, Shuko Akune as the receptionist and Lily Monkus as the authoritarian nurse. (327 5588)

WASHINGTON

Buried child (Kreeger): Vintage Sam Shepard, a 1979 Pulitzer Prize winner, recounts a family reunion in which the returning son is not remembered by the rest of the family and garbage ends up on the floor. (Arena, 488 3300)

Porgy & Bess (Opera House): This 50th anniversary production of Gershwin's classic American opera does justice to the music and sense of community established in Porgy's desperate love for Bess in their squalid Catfish Row lives. Kennedy Center (254 3770)

Room Service (Eisenhower): Made famous by the Marx Bros movie, this 1937 farce starring Hal Linden can stand on its own with the ribald story of an impoverished producer whose troop is stranded with no money in their New York hotel. Kennedy Center (254 3670)

LONDON

The Rivals (Olivier): Splendid National Theatre revival, cunningly designed by John Gunter to place us in the middle of 18th century Bath. Geraldine McEwan takes a fresh, inquisitive look at Mrs Malaprop. Michael Hordern is an unrivalled Sir Anthony. Peter Wood directs. (928 2252).

Blood Brothers (Lyric): Strong rock melodrama by Willy Russell about Liverpool twins separated at birth. Pop star Barbara Dickson, very like a young Gracie Fields, is superb as their grief-wracked mother. (437 3686).

The Roaring Girl (Barbican): Jacobean comedy by Middleton and Dekker with Helen Mirren as the eponymous vagabond in a spirited production by Barry Kyle now playing in tandem with last year's The Taming of the Shrew from Stratford-upon-Avon. (628 8795).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a clifftop rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

A Map of the World (Lyttelton): Brilliant new play by David Hare, set in a luxury Bombay hotel where a Unesco conference on world poverty has been convened. Chill, meticulous production by the author has strong performances from Roshan Seth (Nehru in the film Gandhi) as an Indian novelist, Bill Nighy as a journalist and Diana Quick as the actress in the middle of an ideological showdown. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

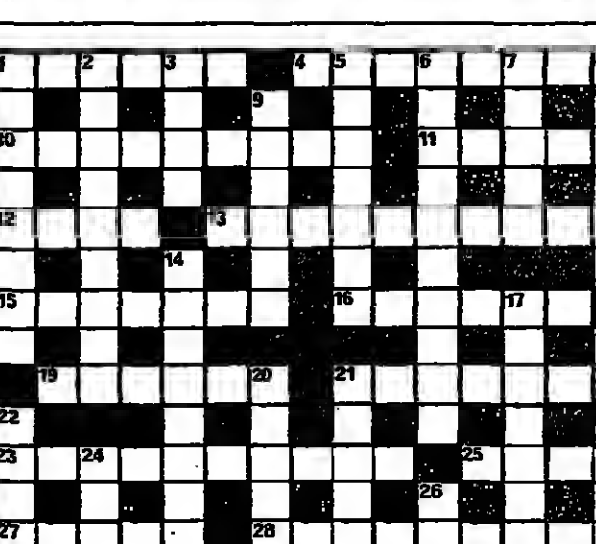
The Real Thing (Strand): Fascinating, enjoyable new Tom Stoppard play which examines a playwright's attitudes to work, music and love in characteristically well-written, complex vein. A tone of serious levity is well struck in Peter Wood's production and the performances of Roger Rees and Felicity Kendal. (836 2660/4143).

Trafford Tanzi (Mermaid): Exuberant play starring Toyah Wilcox that sets the battle of the sexes in a wrestling ring. This fringe success has re-opened the embattled City of London venue. (236 5568)

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. (836 6108)

Guys and Dolls (Olivier). A first-class revival of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (928 2252)

F.T. CROSSWORD PUZZLE No. 5,180



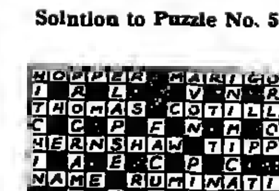
ACROSS

1, 4 Newspaper logo showing tendency of affairs? (4, 2, 3, 5)
10 Viciousness settled into rut by being drunk (9)
11 Heron's seen about the river (5)
12 Falsified the musical setting (4)
13 Heartless wrangle for a change (10)
15 Bird, Ural variant in name only (7)
16 Get rid of humbug (6)
18 Bird's swearing, heard, seen in spring (6)
21 Mineral. It's in heaps (7)
23 Rooting for food? (8, 2)
25 An arm of the peerage (4)
27 Two articles with sun heated bath (5)
28 Parts set out round head of nave? (8)
29, 30 Prominent leader in newspaper carrier? (8, 8)

DOWN

1 Bustle, yet losing heart, could be a refinement (7)
2 Ordered. I regulate the tyrant (8)
3 Scottish resort to putting nothing on prohibition (4)
5 Yokel could be sneezed at! (7)
6 Fine cord exposed and shabby (10)
7 I wander up from down under (5)
8 Girl is building up a kind of tan (6)
9 He was once over 2 (6)
14 Often supported in school (10)
17 Observe Dad through medium for writer (9)
18 Adviser of fools (almost kind) (8)
20 Statesman with money on a rise (7)
21 Such a society has more than one race (6)
22 One with essential substances, cares for cattle (8)
24 A flap! Don't choke over it (5)
26 Was hero in part at Wimbledon? Once (4)

Solution to Puzzle No. 5,179



FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday May 25 1983

The tasks for Williamsburg

MANY people, especially those who ought to know better, seem to regard the forthcoming economic summit at Williamsburg this weekend as a bit of a bore. The Americans wanted en informal meeting, so there has been little in the way of prenegotiation; officials feel that nothing can be achieved without their spadework. The participants are already et loggerheads on some issues. At one stage it even seemed doubtful that Mrs Thatcher would bother to turn up.

The meeting could all too easily live down to these expectations. A cosy fireside chat ending in a banal, question-begging statement from President Reagan, announcing perhaps that the leaders are equally determined to encourage the recovery while remaining resolute against inflation, is one possible outcome. Another possibility is that the talk will slide eway from contentious economic matters and turn, for example, to defence, on which President Reagan and President Mitterrand talk the same language.

Any such result would be worse than unsatisfactory. The whole idea of an informal, unstructured discussion is to leave room for some genuine political development, as a result of which the leaders can do something to harmonise their objectives and make fuller allowance for each other's problems. Only heads of Government can produce this kind of change.

Three topics ought to dominate the discussions, and they will certainly be raised. All the Europeans ere urgently concerned about interest rates, and the influence of the U.S. deficit. The Americans and the Japanese, though from different points of view, will be concerned about the spread of covert protectionism. The French will try to insit on the importance of stabilising exchange rates. All these are legitimate concerns, and they hang together coherently; and progress on any of them does require some change in policy priorities. That is the real challenge at Williamsburg.

It may seem that little time need be wasted on the U.S. deficit, since it is universally regarded as excessive, by Americans as much as by anyone else. However, this agreement on whet would be desirable masks a wide gap in understanding across the oceans. American economic thinking, at the professional, as well as the political level, is still largely insular.

In a sense, this is the crucial issue. The Europeans have learned, through membership of the EEC and the EMS, that domestic economic policy must take account of what is happening among trading partners, and of their interests. The Americans (and, it must be added, to a large extent the Japanese) have yet to acquire this habit of thinking.

Security

President Reagan must somehow be persuaded that although American businessmen and consumers, who enjoy the benefit of tax deductibility, may find current dollar interest rates manageable, they threaten American interests in the outside world. They lead to over-valuation of the dollar, and so destroy jobs in U.S. industry. More threatening, perhaps, they imposa an unmanageable debt service burden on many developing countries, especially in Latin America. This debt problem is now recognised by the National Security Council as a threat to U.S. security; but the council does not seem to recognise that the cause is quite largely to be found in the U.S.

This may seem to suggest that the task at Williamsburg is to reverse the work of the Bonn summit five years ago, at which President Carter was persuaded that benign neglect had to stop, and the dollar slide arrested; but the underlying message is the same. U.S. domestic policies affect the whole world. Mrs Thatcher might helpfully add that it is not only the size of the fiscal deficit that matters: British experience suggests that deficits are more manageable if they are flexibly financed.

If this fundamental is agreed, then the Americans will be able to argue with more force that world recovery, and the debt problem in particular, demand an effort to lower trade barriers again, especially against developing countries. The French, equally, can demand that an important objective of policy co-ordination is to secure realistic and stable exchange rates—though they may have to accept that formal arrangements cannot be discussed until better balanced policies produce a manageable situation. But the basic message is clear: leaders must not only talk about interdependence, but practice it when they take decisions. If President Reagan says anything like that, the meeting will have confounded the experts and proved a success.

The future for British shipping

THE BID by Trafalgar House for Peninsular and Oriental Steam Navigation, one of the proudest names in British shipping, coincides with the publication of the annual report of the General Council of British Shipping, which records yet enother decline in the size of the UK-owned and registered fleet. The two events are quite unrelated, except in the sense that e merger between P & O and Trafalgar's Cunard subsidiary could offer the opportunities for rationalisation and cost-saving in an industry which faces very difficult competitive conditions. Both Trafalgar and P & O are, of course, very much more than shipping companies snd no doubt Trafalgar will claim that it can make better use of all P & O's assets. But there are areas in shipping where the two companies overlap and it is at least possible that the combined resources of P & O and Cunard will produce a company better able to achieve operating economies and to seize whatever opportunities for growth are available.

Certainly the industry needs all the good management it can get. The size of the British fleet has fallen from some 50m dwt at the end of 1975 to 25m dwt at the end of last year and on present trends there is likely to be a further decline to about 18m dwt by the end of 1985. To some extent this contraction reflects the over-expansion which took place on the back of investment grants in the late 1960s end early 1970s. But the underlying problem for the industry has been its high operating costs, agravated by subsidies and protectionism in other parts of the world; the developing countries, in particular, have sought to reserve cargoes for their own national fleets.

British shipping companies have responded in two ways. On the one hand, they have tried to bring labour costs under control (at the cost of a serious strike in 1981, which itself contributed to a further loss of confidence) and to increase productivity through more efficient use of manpower. On the other hand, owners have sold tonnages and heve put some of their ships under foreign flags to avoid the high costs of UK manning. The GCBS has consistently urged that the freedom to shift to foreign flags, must be retained, arguing that it is better to "flag out"—thereby retaining the profits of the operations in question for UK owners and, in most cases, retaining the jobs of UK officers—than to sell.

Cross-trading

The ultimate size of the British fleet will depend partly on the industry's own efforts and partly on government policy. The Labour Party, under the influence of the National Union of Seamen, is planning drastic intervention in the industry, with a large dose of nationalisation and protectionism—including the power to prohibit the transfer overseas of British companies and vessels "where this is contrary to UK interests." This ettempt to insulate the British industry from the pressures of the world market seems likely to be self-defeating: some two-thirds of the industry's revenues comes from cross-trading end this business will be retained only if costs and prices are competitive.

The present Government has declined to give special assistance to British shipping, nor has it so far been convinced by the industry's argument that the availability of merchant shipping in time of war could be at risk if the size of the fleet declines much further. This issue is still under review. There is room for argument about the number and type of merchant vessels which the country would need in the event of another Falklands-type emergency or something bigger, and about how quickly ships owned by British companies but sailing under a foreign flag could be called up for service.

Any government assistance, at least from a Tory Government, is unlikely to alter in any fundamental way the economics of the business. The industry's priorities must be to make itself more efficient and to resist by whatever means are available the protectionist pressures which are tending to reduce the size of the available market. It is certainly not in Britain's interests to edd to the distortions which already exist.

Britain's defence debate

The issues that the manifestoes have fudged

Daley

Bridget Bloom, Defence Correspondent, examines the breakdown in the British defence consensus

FOR a full 15 years, until January 1980, the House of Commons did not once debate Britain's nuclear forces. Since then, the issue has been increasingly on the agenda in and out of Parliament. Now, for the first time in 30 years, defence is a major election issue.

The British consensus on defence, which saw a Conservative post-war government opt for an independent nuclear deterrent and successiva Labour and Tory governments agree to modernise it, is now severely undermined.

Just how profound the divisions are between the major political parties is clear from their manifestoes, published last week in advance of the election on June 9. The Tories continue to insist that Britain, a key member of Nato, must retain its own nuclear forces. Labour for the first time has endorsed what it calls a non-nuclear defence policy, which could mean a large degree of unilateral disarmament and major changes in Britain's relationship to Nato.

Yet the precise defence policies which Britain might follow under a future Labour government are far from clear. Only the SDP-Liberal Alliance spells out its defence policy in any detail, and that is only in the nuclear field. The stated policies of both major parties beg several key questions, in that as in other areas.

Not surprisingly, the Labour party is the chief culprit. Despite yesterday's statement *reaffirming that the manifesto* embodies an agreed defence policy, Labour'a leadership is still split on the central issue of Britain's nuclear deterrent. For example:

- Though the manifesto says Labour will adopt a non-nuclear policy, some spokesmen suggest that Britain's Polaris missiles could possibly be retained.
- Some Labour leaders suggest that all U.S. nuclear bases in Britain will be closed, but the manifesto is less explicit.
- Though Mr Michael Foot said yesterday that policy is to strengthen conventional forces, the manifesto proposes to cut the defence budget substantially.
- The manifesto says Labour will maintain support for Nato. Yet if the party does everything the manifesto implies, it would profoundly shake the Western alliance.

Potentially serious consequences for Britain and Nato

The Tories meanwhile speak in strong terms of the need for an independent British deterrent, but their manifesto actually fails to mention the multi-billion pound Trident system at all.

And the key issue of how Britain is to pay for the different policies is not addressed in any of the manifestoes. Many defence economists believe that the pressure on the defence budget are such that another major defence review will be inevitable in the lifetime of the next government, whatever government comes to power. The pressures on the defence budget, which at £15.9bn this year is second only to spending on social security, are enhanced by the direct and indirect costs of the continued comitment to defend the Falklands—a commitment which is not mentioned in defence terms by any of the three party manifestoes.

The starting point for an analysis of these ambiguities must be the party manifesto. Tha Labour Party aims for what is termed a non-nuclear defence policy to be carried ont in the lifetime of the next Parliament. Labour says it would immediately prevent the deployment of U.S. cruise missiles in Britain, cancel the decision to buy the U.S. Trident nuclear missiles and offer Polaris, Britain's existing nuclear deterrent, for inclusion in the Geneva arms talks.

The policy would also mean the removal of all existing nuclear weapons and nuclear bases—British or American—in the UK, though tha manifesto says "this cannot be done at once." Additionally, Britain under Labour would bring defence spending into line with the lower levels in other major European countries. There would be plans to make sure that the spending cuts which this would mean would not lead to loss of jobs in defence industries. They would be given material support to change to the production of "useful goods."

The Tory manifesto calls Labour's "support for gestures of one-sided disarmament" both "reckless and naive." "There is no shred of evidence to suggest that the Soviet bloc would follow such an example." By preventing the U.S. from using bases in Britain which are "part of the American nuclear shield over Europe," Labour, it says, "would shatter the Nato alliance and put our safety in the greatest jeopardy."

In a brief ten paragraphs on their defence policy, the Conservatives repeat what was until a few years ago the concensus line. "The Western alliance can only keep the peace if we can convince any potential aggressor that he would have to pay an unacceptable price. To do so, Britain must have strong conventional forces backed by a nuclear deterrent."

Britain must maintain its own independent deterrent as a contribution to both British and European defence, the Tory manifesto says, adding that unless negotiations succeed, a Tory government would deploy cruise missilea from the end of this year.

Like the Tories, the Alliance believes that for as long as the Warsaw Pact has nuclear weapons, Nato must also have them. But it aligns with Labour in wanting to cancel Trident, and in offering Polaris for inclusion in the Geneva talks, where it says, the two sets of negotiations on medium range and strategic weapons should be merged.

If those talks are not successful, the Alliance says in careful phrasing that it would "explore the opportunities for a verifiable mutual freeze on the production and deployment of nuclear weapons." The Alliance reserves its position on Cruise missile deployment, making its stand largely dependent on the outcome of the Geneva negotiations.

Yet if the major partiea ere formally very far apart, what might they do if actually in office? In particular what would be the impact of a Labour government?

It is possible to envisage a "minimalist" position under which a Labour government would cancel Trident forthwith and offer Polaris as a bargaining chip in the Geneva negotiations. As Mr Healey and Mr Hattersley have both suggested in recent interviews, such an offer could well be refused. They have *strongly* implied that Polaris would then be retained and with it a British nuclear deterrent, et least for the time being.

JUNE 9 BRITAIN'S ELECTION

> No party acknowledges what many experts now believe, that another review to pare defence costs is likely to be necessary within the lifetime of the next parliament

Such a stand would, no doubt, be accompanied by disarmament initiatives at the UN. Discussions over the use of the dozen or so main U.S. bases in Britain would be initiated and ultimately, perhaps some announcement made about the withdrawal of certain nuclear facilities from them. The manifesto does not speak of closing the bases themselves but of removing nuclear bases and weapons.

Such an interpretation of possible Labour policy, though it would no doubt greatly anger Labour's left wing, gains credence from such manifesto phrases that "not everything can be done at once," and of a recognition of the need for co-operation and consultation.

Even with this minimalist approach, the change in policy would still be marked, with potentially serious consequences for Britain and Nato, for it is difficult to see circumstances under which Labour would not fulfil its pledge to stop the deployment of cruise missiles.

The decision to deploy these new U.S. missiles was taken by all Nato countries in 1979, essentially to tie the U.S. to *the continued nuclear protection* of Europe. Whatever the military justification for the missiles—and many doubt the purely military arguments—deployment is at tha heart of Nato's political problems today.

Their deployment — unless there is a successful conclusion to the Geneva talks—is being seen by major Nato governments (as well as by Socialist France) as a test of Nato'a political will and cohesion. Thesa governments would see a decision by Britain to cancel deployment regardless of the outcome of the Geneva talks as certain to increase tha already serious divisions between European Nato and the U.S. By the sama token a Labour "maximalist" position which would, for exampla, include the closure of all U.S. bases, would be seen as likely to shake the alliance even more profoundly.

Perhaps the most serious of the many unanswered questions about Labour's defence policy is tha intended relationship with Nato. The manifesto says that Labour believes in collective security and that the next Labour government "will maintain its security support for Nato." Though it is not spelled out, this resumably means that Britain would continue to be a member of Nato. But would the promised consultation and co-operation with Nato allies mean that a Labour government would be influenced by their protests?

In a recent interview, General Bernard Rogers, Nato's supreme commander in Europe, said that a refusal by Britain to deploy cruise missiles, as well as the loss of the U.S. bases in Britain, would have a major impact not just on Nato's nuclear deterrent but on its ability in wartime to reinforce central Europe. He said that he could not believe that a Labour government would want this to happen or that the British people "would want to have the advantages of Nato without being prepared to bear that kind of burden or risk."

In yet another ambiguous *statement* Labour's manifesto says that the priority of the new non-nuclear policy is to "create military forces that are clearly equipped and deployed for defensive purposes and tailored to Britain's geographical and economic resources." That would suggest, as Mr John Silkin, Labour's defence spokesman, has several times said in interviews, that a Labour government would emphasise Britain's role as a naval power. A corollary to that might have to be the withdrawal of British troops from Germany, but that is nowhere spelt out.

But if the ramifications of Labour's policy are much less clear—and frankly more alarming for Nato than is Tory policy, both parties can be criticised for the lack of attention to the probable economic impact of their policies.

Mr Michael Heseltine, who presumably hopes to return as Defence Minister after June 9, had some caustic things to say last weekend about the possible costs of Labour policy. If Labour was to reduce Britain's defence budget to the everage of what France, Germany and Italy spent last year (4.1 per cent, 3.4 per cent and 2.6 per cent respectively against Britain's 5.1 per cent), Labour would have to cut 31 per cent or some £4.5bn from the defence budget this year. Mr Heseltina argued that of the 1.3m defence-associated jobs in the armed forces, the civil service and industry, 400,000 would have to be cut by Labour.

Neither party, however acknowledges what many experts in and out of the Ministry of Defence now believe, that another review to para defence spending is likely to be necessary well within the next five years. Its timing and severity will depend on several factors, including inflation, always higher in tha defence sector than in the rest of the economy.

Falklands factor as a pressure on the budget

There are now extra pressures on the defence budget from tha continued commitment to the Falklands, which has also largely vitiated tha naval cuts of the review undertaken by Sir John Nott, the former Defence Minister in 1981. They could become intolerable when spending on Trident begins to peak at the same time as the bills come in both for Falklands replacements, and for several expensive projects like new frigates and diesel submarines and quite possibly a new generation fighter.

For now, the opinion polls continue to hold out the possibility of a Tory victory. Another Conservative government would be welcomed by Britain's major allies. But preferable to Labour though Nato may find the prospect, such a victory will not necessarily ensure trouble-free, affordable defence policies.

Men & Matters

Mexico scores

Mexicans have greeted the announcement that the 1986 World Cup will be held in their country with almost as much enthusiasm as if they had won the cup itself.

"We win it" was the banner headline in the Mexican press. Mariachi bands played in the oil town of Coatzacoalcos in the Gulf of Mexico when they heard the news.

The enthusiasm was well founded, and not because Mexico stands a chance of being world champions. Mexicans have little to look forward to in the next three years while their government, battling with mountainous debts and spiralling inflation, implements a tough economic stabilisation programme with the International Minetary Fund.

Mexicans have also taken delight from defeating their traditional foe, the U.S., which campaigned hard to be the site for the World Cup. Not even the heavyweight, Henry Kissinger, backed up by Cyrus Vance, was eble to dissuade Fifa, the international football association, from choosing Mexico.

The two former secretaries of state were asked to lobby for the U.S. after officials from Fifa visited Mexico last year and said they would not be visiting the U.S. and Canada. A visit from Fifa to review sites is a prerequisite for being chosen to host the World Cup.

For the insolvent government of President Miguel de la Madrid the news could not heve been better. Mexico hopes to attract 6m visitors and estimetes that they will spend $100 each—$600m is currently three weeks' interest payments on Mexico's total external debt of $83bn.

Mexico hosted the 1970 World Cup and so it will not have to spend very much on sites. "Football is a great diversion for the poor," said a central banker.

By 1986, if all goes well, Mexico will have the IMF off its back and should be letting off steam.

False alarms

Anyone used to the sound of burglar alarms ringing without public response in the City of London late at night will not be surprised at the latest figures from the City police force.

They show that of the 5,906 occasions on which an alarm rang last year, 2,242 were set off by the occupier himself. Another 2,306 went off because of faults either in a British Telecom line or in the alarm itself.

Another 1,358 were activated either by spirits or some other "unattributable" cause. That left just 60 genuine calls.

Eight resulted in arrests.

"It seems to be a takeover bid from Trafalgar House, sir"

Without profits

A new source of income for retired news readers was tapped last night for the first time when Kenneth Kendall featured in a commercial TV channel advertisement about the financial progress of grocers Sainsbury.

It was tha first such advertisement since the Independent Broadcasting Authority last week relaxed its rules governing financial advertising on commercial TV and radio.

The 60-second peak hour slots on Thames, TVS, Central, and Anglia are thought to have cost Sainsbury about £60,000.

The advertisement traced the company's expansion since going public 10 years ago.

But Sainsbury's latest profits of £100.3m before tax are still not permitted to be broadcast. Viewers were referred to today's morning Press. So, as ever, we are first with the news.

The edvertisement was a rush job. Streets Financial, Sainsbury's City agent, tells me that after some protracted haggling with the IBA's independent consultants over how much financial information could be included under the revised rules, it was filmed on Monday and was "in the can" only 24 hours before being screened.

Town's boss

Like all the best players Wyndham Thomas has decided to leave the stage et the top. His particular stage is the new towns movement and at the end of next month he moves on from Peterborough, where he has been general manager since the cathedral city was given new-town status in 1968.

Thomas, now 59 and like all good Welshmen a one-time teacher, came into new towns from the Town and Country Planning Association, where he had a spell as its director. His work there, and his subsequent spell at Peterborough, have made him very much the guru of the new towns. Apart from his influence in this country he is constantly asked to advise on new town developments all round the world; earlier this month he returned from a couple of weeks in Hong Kong.

The days of the new towns in Britain are numbered. Conservative policy is to sell off their assets and wind them up as fast as possible.

Peterborough was set up to provide jobs and houses for Londoners living in overcrowded conditions.

Now, the great job is to restore the inner cities, prevent their decay going any further and attract people and jobs back.

So where is Wyndham Thomas going? To the inner cities. He was recently appointed chairman of Inner City Enterprises, a body born with the institutions as parent and the Government as midwife.

Up front

Accountants are still having difficulties finding solutions to current cost accounting that are eceptable to the world at large.

But I discover from happenings at the Institute of Chartered Accountants in England and Wales that inside the profession they have already moved on to a more forward-looking concept altogether.

The institute's annual report explains to members that a painful decision to hava a large increase in fees in subscriptions next year has been avoided. How?

By putting them up by 12½ per cent this year.

Convert

From a Suffolk parish magazine: "When I married, at the age of 24, I had no religious convictions at all. I never prayed, I doubted the existence of God, and I certainly did not believe in Hell.

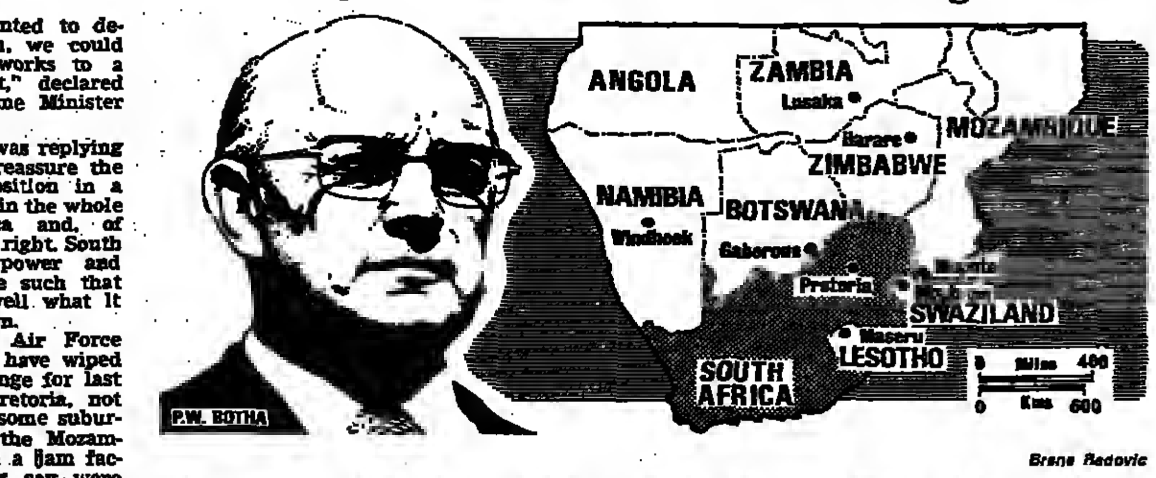
Within e year my wife had changed all that."

Observer

SOUTH AFRICA AND ITS NEIGHBOURS

Mr. Botha chooses the ground

By J. D. F. Jones in Johannesburg



Brana Radovic

"IF WE really wanted to destabilise the region, we could bring the whole works to a standstill overnight," declared South Africa's Prime Minister earlier this year.

Mr P. W. Botha was replying to and failing to reassure the Parliamentary opposition in a debate abont policy in the whole of southern Africa and, of course, he was quite right. South Africa'a military power and economic might are such that it can do pretty well what it wishes in the region.

On Monday the Air Force could, for example, have wiped out Maputo in revenge for last week's bomb in Pretoria, not just briefly strafed some suburban houses which the Mozambiquans insist were a jam factory and the pilots say were African National Congress (ANC) bases.

So—leaving aside the unashamed and open military incursons twice into Mozambique, once into Lesotho, innumerably into Angola, what is South Africa np to in the region? Are the leaders of the black independent states correct, or exaggerating, or simply mistaken when they insist, as they all do, that Pretoria is bent on the "destabilisation" of their newly won sovereignty.

The *perception* of a deliberate destabilisation policy is universal and is shared by many independent observers inclnding diplomats, businessmen and journalists throughout the region. But hard facts are a different matter—it is a covert, murky world confused by rumourmongering and disinformation on all sides.

The suspicions of the regional neighbours can be summarised:

● Mozambique: the Socialist *Frelimo* Government of President Machel is preoccupied with a host of domestic problems, some of its own making, and has litttle time to do more than allow ANC guerrillas access to tha Republic. Frelimo's greatest challenga is the Mozambique National Resistance movement (MNR) which operates over a considerable area of the north and east. Even the U.S. State Department has said, confirming the impression of most observers, that the MNR "receives the bulk of its support from South Africa."

● *Zimbabwe.* The *unsettled* conditions in northern Mozambique have repeatedly led to damage to Zimbabwe's vital rail, *pipeline* and *road links* with Beira; the Zimbabwean authorities are convinced that South African agents are responsible for incidents such as the sabotage of storage tanks or harbour buoys. *Mr* Mugabe's government believes that South Africa infiltrates tha country, trains auxiliaries formerly loyal to ex-Premier Bishop Muzorewa, in Northern Transvaal and enjoys *the ultimate loyalty of some* of the white Zimbabweans.

Zimbabwe is trying to produce evidence that some of these suspicions may be justified. A trial of white senior air force officers bas just opened in Harare in which the state will argue that tha bulk of the local air force was blown up last year by South African saboteurs who had been smuggled into tha base. There has been constant tension between Harare and Pretoria, over such matters as railway trucks, visas and work permits; the best that can be said for Pretoria is that its officials have been unconstructive and unhelpful.

● Lesotho. The government of Chief Leabua Jonathan, which used to be in Pretoria's good books, now says it is "at war" with the Republic. The fact is that this small enclave is utterly dependent on the South African economy. There is a long-running and low-key insurrection in which the Lesotho Liberation Army (LLA) harrasses Chief Jonathan's shaky and undemocratic regime, apparently with support and shelter, or at least tolerance, from the Republic.

Swaziland, which is similarly integrated into the South African economy is—by contrast—careful to behave itself, although inevitably it is another ANC transit route. Botswana also tries to keep a dignified low profile, though it is another escape route for refugees. There have been problems over such things as obtaining enough fuel from the Republic, to build up adequate petrol reserves.

● *Angola.* In its attempt to repulse Swapo from Namibia the South African military occupies or controls large areas of Southern Angola. It is also universally assumed to support the Unita resistance movement in the south and east though again hard proof is not easily available (South African denials are accompanied with a wink). Angola cannot *concentrate* on its own social and economic development until the war and insurrection are resolved.

Further afield in countries like Zambia and Malawi, everyone assumes a quiet though expert South African interest. (Malawi, at least as long as Dr Banda lives, is publicly on good terms with South Africa). *The most embarrassing* and most quoted example of destabilisation in action, was last year'a failed mercenary coup in the Seychelles. It emerged in a subsequent trial that there must have been some involvement at a senior level on the part of the South African security forces; but tha Government has never conceded ministerial or Cabinet knowledge of the coup attempt.

All of these examples could be investigated in depth but the question would remain the same: is there a concerted policy of destabilisation? Diplomats and journalists admit that they simply don't know, then they offer the following suggestions.

First the South African Government is not a single entity. It is a collection of departments, of military bodies and of more covert organisations. They are unlikely to agree with each other and they occupy shifting territories of influenca and responsibility. The detail of these shifts and the power manoeuvres is not public knowledga but even in the intelligence community there are different organisations (many other countries could show a similar situation) which jockey for influence and "territory." A coup attempt in the Seychelles for instance, would make sense to one organisation but seem madness to another.

At its extreme, it might be argued that the influence of the traditional Foreign Affairs establishment—South Africa's diplomats—have been on the wana since they were left out of the decision to invade Angola in 1975; the *military,* though forced to withdraw when within apitting distance of Luanda bave never lost their upper band, thanks in part to the lucky emergence of "their man" P. W. Botha, the long-time Defence Minister, as Premier.

His predecessor, the disgraced John Vorster had sought detente with Black Africa. *Mr Botha talks vaguely* about constellations of states. He has had a meeting in the bush with Zambia's President Kaunda. But be has also brought the military into Government to an unprecedented extent.

The ruling body in South Africa today is said to be not tha Cabinet but the Stata Security Council which contains a disproportionate number of military members. The Council has extended its influence across tha whole range of policy.

Second, whatever tha Council may decide policy is not always carried down the line. A bureaucrat may stick in his heels and send a Zimbabwean worker back home. Industry officials may hava strong feelings, about preferential trade agreements with Zimbabwe. A station master in the bush may hava objected to an anti-Boer slogan and, off his own bat, kept some trucks in a siding.

It is the human factor, and it has racist undertones on both sides. We must wonder whether the South African Premier and Cabinet are *entirely* in control of South African policy when it comes down to tha level of enthusiastic intelligence man or angry station masters.

But the key to understanding South Africa's *destabilisation policy is* that it would not necessarily aim to bring down neighbouring governments. Destabilisation is not to be confused with plotting revolution any more than with pre-emptive *strikes.* There may be no need to topple a government: far wiser to produce a situation which forces a government to devote all its energies to domestic problems *rather than concern itself* with such lofty matters as tha liberation of Azania (the African name for South Africa). The interests of white South Africa might best be served by the *sowing of dissension,* apprehension, or nervousness and by the steady erosion of national self-confidence.

Thus, there is no need to plan for the MNR to supplant Frelimo in Maputo or the LLA to oust Jonathan in Maseru. As some Zimbabwe ministers have realised it is in Pretoria'a interests that there should not be a successful black Government in the region; it is enough, in a word, to impede its success. Meanwhile in South African eyes some countries destabilise themselves: in Zimbabwe's case, for example, there is no sign of South African interference in Matabeleland'a problems, perhaps because there is no need.

If Thatcher wins . . .

How to cut unemployment in the next five years

By Allan Meltzer

THE first Thatcher government *succeeded in reducing* the *rate* of inflation, lowering income tax rates, removing capital controls, denationalising parts of industry and reducing tha real value of the subsidies paid to *the remaining* nationalised firms. Accompanying these, more readily measured, achievements, there is a noticeable change in beliefs and anticipations about tha future of the economy. A frequent visitor cannot fail to notice the disappearance of much of the deep pessimism about inflation and prodnctivity growth

Today,thare is a similar, deep pessimism about the persistence of unemployment. Hardly anyone can be found wbo believes that the number of unemployed can be held below two million in the next fiva years.

It is wrong to believe that the only relevant choice is between acceptance of the current unemployment rate and a return to the failed policies of the past. It is wrong to believe that inflation must rise as unemployment falls. And it is wrong to believe that fate or nature has assigned the United Kingdom a permanent cadre of three, or even two, million unemployed workers

The three errors have a common source. They treat the relation between inflation and unemployment entirely as a trade-off that is constrained by the "natural" unemployment rate. Like many persistent errors, this one has a core of truth. Changes in unemployment and inflation result from temporary trade-offs of this kind.

The mistake lies in excluding other sources of change in both inflation and unemployment. Inflation will fall as unemployment falls if the public is convinced that the government will persist in policies to reduce inflation, and the government's policies sustain that belief.

The challenge for the next fives years is to achieve greater stability and higher real growth, to reduce expected and actual inflation and the "natural" or average rate of unemployment.

But it is a mistake to believe that any country, acting alone, can restore the conditions for relatively stable prosperity, low unemployment and low inflation *Many of the problems* in the world economy are the result of mutually reinforcing instabilities and short-sighted policies adopted for domestic reasons.

There is *general* agreement that even a durable recovery of the UK and the world economies would leave unemploymeot at a level that is high compared to the experience of the past quarter century. Some of this unemployment depends on factors sucb as the sex and age composition of tha workforce that affect turnover and time between jobs.

> The UK economy has many long-standing barriers to l'bour mobility

Some depends on the disincentivea resulting from unemployment benefits, minimum wages and other social payments.

While there are ways in whieb onemployment benefits can be restructured to increase incentives to work, the programme sbould be retained. Unemployment benefits reduce the social cost of lowering inflation.

Part of the large increase in unemployment in recent years, and the current higb average rate, is a direct consequence of the lower subsidies paid to nationalised firms. When the subsidies were reduced, workers moved from hidden to open nnemployment; instead of paying subsidies to hide unemployment, the Thatcber Government paid compensation to the unemployed.

It is useful to replace hidden with open unemployment. Everyone becomes aware of the problem and the need for a solution. Labour productivity increases, as overmanning falls. Some of the unemployed find productive jobs elsewbere. Subsidies to the nationalised firms should continne to fall until these firms can be sold and denationalised.

Unfortunately, the UK economy has many long-standing barriers to labour mobility. These barriers contribnte to unemployment. Housing policies create some of the higbest barriers. Rent control and housing subsidies discourage private construction and discourage workers from relocating in areas wbere jobs are more likely to be found. Sale of council houses should *continue.* The present system of bousing subsidies and rent control should be replaced by allowances paid directly to tenants.

Income taxes fall on saving and, therefore, on growth, so furtber reductions in income tax rates should come early in the second term. Steeply progressive income taxes and higher taxes on income from capital (mistakenly called unearned incoma) than on labour income are vestigea of past anti-growth, redistributionist policies.

The world economy prospered in tha '50s and '60s. Trade expanded as tariff barriers fell. The U.S. gave the world a stable, non-inflationary policy that reduced uncertainty about prices and exchange rates.

The conditions that produced these policies cannot be re-created now. A new set of international policies, applicable to the current world, is required to restore sustained growth and to produce high employment.

Two policies are most urgent. First, tariffs and barriers to trade must be reduced or removed. Second, current low rates of inflation in the U.S., the UK, Germany and Japan, should be sustained. Each of these countries sbould announce a medium-term monetary target to maintain domestic price stability and should adopt methods of monetary control capable of achieving the announced targets.

By choosing policies of price stability, eacb country contributes to lower the variability of exchange rates. Taken together, the domestic and international programmes encourage trade, stability, investment and productivity. They move tha UK and the world economy toward the low levels of unemployment and growth rates in standards of living that can only be sustained if we increase the efficiency of tha UK and the world economies.

The author is John M. Olin Professor of Economics at Carnegie-Mellon University and Visiting Professor of Economics at the City University, London.

Letters to the Editor

Jobs and the figures behind the story

From Mr P. Frost

Sir,—I found Mr Hargreaves's articla (May 20) about "Jobs" of considerable interest and fully agree that it is the premier problem for the nation.

He seems, bowever, to bave made the same mistake as all of the popular press has done about a future government'a finances should some job creation programme be initiated.

He lists Labour as suffering a −£11bn cost and the Alliance −£3bn. In botb cases it would be minus the direct cost to the Exchequar of having people uoemployed (as be rightly mentions) and the indirect cost (not mentioned) of less social unrest and therefore lower policing costs, etc. Additionally, and most importantly, he bas left out from the Labour and Alliance programmes the +£10bn saving on Trident. Therefore, under Labour we would be about evens and with the Alliance we would be +£7bn, in very simple terms.

Obviously some of the £10bn saved on American-built Trident would be spent on building np our other military forces so as a suggestion it might run something like this: £5bn spent on procuring British-built Harrier jets, belicopters, submarines and the many types of British missiles, all "job creating" in the UK. The other £5bn would be spent on more traditional infrastructure projects; highways, bospitals, school, airports, seaports, etc.

The point I am making, which is being very well propounded by David Steel, is that it is not possible to take any one sector of the economy and review it in isolation. Whether the nation as a wbole bowever, is really thinking in the global way at present is debateable, if it ever doea think properly it will most certainly demand from a future government a lot more than "there ia no alternative."

P. T. Frost.
11 Mossfield Close,
Lexden,
Colchester, Essex.

The chemical industry

From Mr A. Unsworth

Sir,—I have read with interest Mr D. Warburton's comments (*May 19*) on the chemical industry bnt he does not state how to improve the situation in this field.

The multinationals will not manufacture in the UK unless the costs of production in this country are lower than elsewhere. These costs include labour, energy, plant and taxes. Labour has to be relinble and international companies are not really happy witb strikes and threatened strikes.

Where the unions could help ia in examining where there are possibilities for increased sales for cbemical products at a price which is economic for manufacturers to instal plant and operate it. Unions could also help by invesing their money directly in the industries of their members.

The Labour Party manifesto shows considerable increases in Government expenditure. Directly, or indirectly, the producing community will have to pay for this i.e. the factory price of chemicals will increase further making the chemical industry less competitive. The results of this will be furthar unemployment!

It is of little use to expect a growth in cbemical sales in the UK, unless the purchasing power of the individual is increased. Some long-life products have reached saturation point in the end use market and there is only n replacement factor.

Too much is spoken about GNP and GDP. It would be much better, bowever, if a new figure was considered by Government, unions and the producers, i.e. consumers expenditure as a percentage of gross domestic product. For 1971, this figure is 44.2 and for 1981 38.6.

If the Labour policy comes into being, this figure will be considerably reduced which will have an even greater effect on the cbemical industry.

A. K. Unsworth.
1, Court Downs Road,
Beckenham, Kent.

The arts of politics

From Mr D. Divaris

Sir,—Perhaps tha article on "Labour's internal squabbles" in Brent East (May 18) reveals more about the art of journalism than about its subject matter.

The "squabblea" are attributed to "the edvance of Far Left elements" who bave waged "ugly, internecine battles," a "*Far Left assault*" where "the smell was so bad that Labour'a national agent investigated," etc.

How did they do it? The article: "According to long-time local *politicians,* it was the Grunwick dispute that enabled these elements to form the strong links with the Asian and other ethnic groups in the area."

So the "*Far Left elements*" actually helped immigrant workers in the Grunwick dispute and so won their support? What did then the "long-time local politicians" (also belonging to the Left wing of the Labour party," the article tells us) do during Grunwick?

Or is it all a peripheral issue? But, we are told, "more than half of Brent's population is made up of ethnic minorities."

And how were these "ugly battles" of the "Far Left" waged? "Ward membership rolis suddenly swelled with immigrants wbo did not speak mnch English, it was said." But said by whom? Perhaps by these "long-time local politicians," who migbt reqnest anyone considering to join the Labour party to please pass his/her "A" levels first?

No one expects the Financial Times to sympathise with workers or with the Left. But to present support for workers by people in the Labour Party which results in these workers "swelling" its membership rolls as an "assault," etc., by "Far Left" elements on that party is perhaps allowing sentiment too free a reign.

D. E. Divaris.
15, Cosin Court, Cambridge.

The right to vote

From Mr H. Rhee

Sir,—Two readers (Letters May 10 and 17) point out the anomaly that the UK refuses its citizens wbo live and work abroad the right to vote in *parliamentary elections,* a right beyond question in virtually all countries of tbe European Community. None of the three arguments — taxation, single-member constituencies, and *registration* by consulates—stands up to scrutiny. They are sheer nonsense.

An even greater anomaly is the refusal by Britain to permit its citizens abroad the right to vote in elections to the European Parliament. This is so grossly unfair that it should be taken up there. The leader of tbe Liberal group there told me be would. I bave no means of checking if he has. There is no Liberal MEP representing e constituency in Britain.

I venture to think that most of us working in other European countries have a keener eppreciation of political realities generally and at bome. That is wby many of us would vote Liberal if we were given the rigbt to vote—and no doubt the reason wby we are denied that right.

H. A. Rhee.
1202 Genève,
12, rue du Vidollet,
Switzerland.

Designed for 30 knots

From Mr P. N. Ling.

Sir,—David Fishlock'a article (May 13) contains a number of contentious statements, many of which cannot be sustained.

He states that tha obvious fallacy is that the more weapons a warship packs, the more it costs. This really will not do —for every pound less spent on bull and machinery an extra pound can be spent on weapons. He seems to have totally lost sigbt of the fact that tha wbole concept of a warship is a weapons and sensors platform. Using his fallacious argument the way to save money would be not to fit any weapons at all.

The bull *structure alone may* take np 8.5 per cent of total cost depending on bow the figures are manipulated. The total cost of the ship envelope — bull, machinery, etc. — has more recently been aboot 35 per cent and is well documented. This amounts to £35m in a £100m warship. Redoction of the ship envelope cost to 25 per cent of the total (quite possible with S.90) leaves an extra £10m to spend on weapons. Even with missiles or torpedoes at £200,000 each, £10m buys an awful lot of weapons.

Please compare like with like when quoting length beam ratios —the Hunt class is a 16 knot conventional bull form designed for a different function following conventional propulsion *curves. S90 is an* advanced bull form designed for 30 knots and above.

Diesel engine manufacturers, designers and operators would dispute the comparison that diesels require beavier demands on servicing and would be well prepared to offer documentary evidence to support their claims. The modern diesel engine is far removed from its ancestors, and the rather limited RN experience of the use of diesel machinery for surface propulsion purposes again does not stand comparison with modern high powered machines in use worldwide.

Where the information credited to tha Defence Scientific Advisory Council was obtained is not, of course, revealed. If the information was "leaked" then the wbole function of this council should be investigated and the motives behind the leak ascertained. If not leaked it must be invented.

P. N. Ling.
3, Clough Garth,
Hedon, Hull.

FINANCIAL TIMES
Wednesday May 25 1983

U.S. POLICY COULD HARM WESTERN ALLIANCE

Thatcher to warn on export curbs

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN LONDON

MRS Margaret Thatcher, the UK Prime Minister, is expected to warn President Ronald Reagan in a private one-hour meeting during the Williamsburg summit that his proposed export controls might fracture the Western alliance.

At the same time she wants to discuss nuclear disarmament and pledge her continued support for U.S. strategy if her government is re-elected on June 9.

The agenda for Mrs Thatcher's private talks – probably on Sunday – was still being prepared yesterday, but might be disclosed by the Foreign Office today.

The Prime Minister is anxious to convey to the U.S. President that she and her Ministers, along with other European heads of government, are personally alarmed about what they regard as an issue of national sovereignty for trading nations.

They suspect that the U.S. Administration is underrating European protests about Mr Reagan's plans, contained in a Bill to renew the U.S. Export Administration Act of 1979.

American claims to jurisdiction over European companies that export to the Eastern bloc goods made under U.S. licences or sourced in the U.S. have long been a cause of controversy. The row came to a head last year over President Reagan's ultimately unsuccessful embargo of European companies' contracts for the Siberia-West Europe gas pipeline.

As a close political ally of the President, Mrs Thatcher appears to feel particularly well placed to caution him against action under future U.S. trade embargos that would force Britain to retaliate as it did over the pipeline case.

She will ask him not to risk alienating European governments in a way that might publicly split the alliance, as happened last year.

The subject of east-west trade is not expected to figure prominently in the round-table discussions at Williamsburg after a conciliatory analysis by the OECD in Paris and a decision by its committee on multinational companies to review the impact on investment of extra-territorial legislation.

Mrs Thatcher will use her hour with Mr Reagan also to exchange views on the prospects for a sustained economic recovery, the dominant theme of the summit itself, according to Downing Street yesterday.

She is not expected to touch on particular Anglo-U.S. disputes. One possible exception might be the current argument over civil aviation – the Laker case – if British trade officials fail this week to persuade the U.S. Justice Department to drop an investigation into alleged transatlantic fare-fixing by British Airways and British Caledonian Airways.

Mrs Thatcher: private meeting with Mr Reagan

Editorial Comment, Page 14

Superior Oil loses proxy battle

By Paul Taylor in New York

SUPERIOR Oil, the biggest independent oil and gas producer in the U.S. yesterday conceded defeat in a proxy battle launched by Mrs Wilametta Keck Day, daughter of Superior's founder, to make the company more open to takeover bids.

Superior said that a preliminary count of the proxies showed that about 56m shares were voted in favour of Mrs Day's plan compared to 46m against. The company added that with about 127.4m shares outstanding about 25m shares were not voted but said the final tally is not expected to be significantly different from the preliminary result.

The outcome of the proxy battle, which developed into a family feud pitting Mrs Day, her sons and nephew, William Keck II, against her brother, Mr Howard Keck, who is a director and former chairman of Superior, is an upset for the company, which had fiercely opposed the proposals.

Mrs Day's resolution requires that certain above-market offers for at least 45 per cent of Superior Oil's shares be submitted to a committee of three outside directors. The measure was designed to counter a number of anti-takeover steps recently adopted by Superior, including ('golden parachute') payments for senior executives.

Mr Fred Ackman, chairman of the oil company, said yesterday "with this result the recommendation as contained in Mrs Day's proposal would be considered at the next meeting of the board."

French students in clashes as Assembly debates universities

BY DAVID HOUSEGO IN PARIS

VIOLENCE erupted in the centre of Paris again yesterday when militant students and police clashed near the National Assembly as the controversial debate on university reform opened.

Police threw tear gas grenades and students put up makeshift barricades. *The violence had long been* expected as yesterday marked a climax in the current agitation by French students.

In the National Assembly there were also moments of uproar. Outside police surrounded the French Parliament which appeared to be under siege.

The Government tabled ten amendments to the law as M Alain Savary, Education Minister, continued to defend his proposals.

The right-wing opposition parties are mounting a major attack in an attempt to frustrate the legislation and embarrass the left-wing majority, itself deeply divided on this issue.

There were three separate demonstrations yesterday against the proposed new law. Of the three main groups which took part – reflecting the splits in the student movement – the National Coordination of Students and Teachers mustered more than 10,000 protesters. Drawing much of their support from the faculties of law and architecture, they have a strong right-wing following.

A Socialist and Trotskyist group gathered more than a thousand demonstrators and the independent students a mere 100.

In the Assembly, M Savary offered few concessions in his opening speech. He called on the universities to put an end to confusion and said the last reform of the universities in 1968 had left an unsatisfactory situation which took no account of recent sociological and technological changes.

The project for an initial general cycle is bitterly opposed by law and architectural students in particular,

Soviet bid for Argentine deal

BY JIMMY BURNS IN BUENOS AIRES

THE SOVIET UNION is stepping up its efforts to increase its trade with Argentina with a renewed bid for the main turbines contract of the Piedra de Aguila hydro-electricity project.

Piedra de Aguila, which has a planned generating capacity of 1,400 MW, is understood to be the main concern of the latest Soviet trade mission to arrive in Buenos Aires. The mission, led by Mr Nikolai Smeliakov, the deputy Minister for Trade, and Mr Viktor Lobanov, the deputy Minister for Energy Machinery and Equipment, follows a similar visit to Moscow by Argentine officials in March.

Mr Smeliakov said earlier this week his country was worried about the current imbalance in Soviet-Argentine trade and was looking at ways of narrowing the gap. The curt comment appeared to be a thinly veiled indication of growing Soviet impatience with the Argentines.

The Soviet Union, thanks to its grain purchases, has become Argentina's main source of foreign exchange. But Argentine imports from the USSR have not kept pace. this has been partly due to Argentina's present political situation, which is delaying a number of major administrative decisions.

According to provision figures for 1982 Argentine exports to the Soviet Union are estimated at $2.6bn compared to imports of $27.6m. The total cost of the Piedra de Aguila is put at about $1.2bn, of which the turbine contract is estimated to be worth about $400m.

According to local trade officials, Soviet purchases of Argentine grains have virtually ground to a halt in recent weeks. Contrary to tha hope aired in Buenos Aires earlier this year there has been no substantial expansion of grain exports to the Soviet Union, which are focused on a five-year grain agreement signed in 1980.

Some trade sources believe the Soviets may be using the grain issue to press the Argentine Government into facilitating a more generous access to the local economy.

The Soviets are close to completing a feasibility study for a $10bn hydroelectric project

OECD praises Swiss for stable economy

BY W. L. LUETKENS IN LONDON

SWITZERLAND RECEIVES praise for good economic management but a chiding for giving little aid to developing countries in a report published last night by the Organisation for Economic Co-operation and Development (OECD).

In its annual report on Swiss performance and prospects, the secretariat of the organisation said the constancy of domestic fiscal and monetary policies centred on inflation control had created a climate of confidence and credibility regarding the stability of the Swiss economy.

The Swiss economy had also set an example of flexible and rapid adjustments to the new constraints of the international environment since the first oil crisis, with the Government playing a stimulating and supportive role without taking the place of private enterprise, says the report.

The report went on to note that *although* official Swiss development assistance was rising, it was equivalent to only 0.24 per cent of GNP in 1981 and 1982, although Switzerland was the wealthiest OECD country in Europe. The OECD average for official aid was 0.33 per cent of GNP in 1982.

THE OECD FORECASTS

	1981* SwFr bn	1982* per cent change	1983	1984
Private consumption	115.8	−1.0	+0.2	+1.0
Gross fixed-asset formation	44.9	−3.4	−2.0	+3.1
Exports of goods and services	69.1	−3.6	−1.0	+3.2
Imports of goods and services	70.9	−2.1	0	+3.8
Gross domestic product	185.6	−1.3	−0.4	+1.9
Consumer price index	—	+5.7	+3.5	+2.5

* Actual

The report also urges the Swiss authorities not to act against "any limited appreciation of the franc" that might occur in 1983–84.

The emphasis is on "limited." Two years ago when the Swiss franc rose steeply, the Swiss National Bank abandoned its strict monetary targets, accepting some domestic inflation to bring down the exchange rate. Should the bank ever again feel that the exchange rate is getting out of hand it is likely to take similar action.

Besides its advice about the exchange rate, the OECD urges the Swiss authorities to maintain a recent easing of fiscal and monetary policies. "Given the reduction in the inflation rate and the size of Switzerland's current payment surplus, it would not be desirable for the fall in oil prices to result in a downward adjustment of targets for growth of the monetary aggregates," the report says.

In its economic forecasts for 1983 and 1984, the secretariat says Switzerland might reach the low point of its present economic cycle in the first half of this year. The subse*quent recovery might* be *small*, though resumed growth of 2 per cent is foreseen for 1984.

The forecasters estimate that unemployment will rise to about 1 per cent of the labour force this year – a high figure by Swiss standards – falling back to about ½ per cent next year.

The report notes that unemployment has been kept down by an increasing resort to part-time working as well as a reduction of the number of seasonally employed foreigners.

A section of the report dealing with financial markets notes that interest rates have fallen back towards or even below the Swiss inflation rate. The exchange rate had been allowed to take the brunt of the current strength of the U.S. dollar and the National Bank had not dipped seriously into its reserves.

"Given the special position of Switzerland with respect to unemployment, its historical record of price stability and the vigorous monetary tightening of late 1981, 'credibility' of the authorities was certainly high," the secretariat says in seeking to explain this "uncoupling" of real interest rates from *world wide trends*.

"This probably enhanced the effectiveness of policy and increased the international attractiveness of the Swiss franc," the report concludes.

All-party economic report criticises UK policies

By Peter Riddell and Max Wilkinson in London

THE UK Government was highly embarrassed yesterday by a critical report on its economic policies of the past three years made by leading Conservative Party officials.

The report suggests that excessively tight fiscal and monetary policies, which pushed the exchange rate to unrealistically high levels, have been responsible for a substantial part of the rise in UK unemployment.

The draft report, under the name of Mr Edward du Cann, chairman of the all-party Treasury and Civil Service select committee, centres on their inquiry into international monetary arrangements. It was published yesterday even though it has not been formally agreed by the committee.

It says that only about half the rise in unemployment to the present 3m can be attributed to the effects of the worldwide recession. Much of the remainder is blamed on the Government's determination to use monetary policy to defeat inflation. This, it says, pushed the exchange rate up excessively and restrained national output.

The report says that the results in terms of depth of recession "confirmed our forebodings." It discounts the idea that a large part of the rise in sterling's value in 1979-80 was the result of North Sea Oil coming on stream.

The report was immediately seized upon by Mr Peter Shore, the Shadow Chancellor, who claimed it was saying that "more than half the increase in unemployment during the past four years is due to Mrs Thatcher's own economic mismanagement."

Mr Shore said the report was a "damning indictment of the Government's record" and revealed "the *dismay felt* even in the Tory Party at the prospect of another five years of doctrinaire Thatcherism."

Mr du Cann quickly protested his innocence, saying the report had not been critical of the Government. He accused Mr Shore of "gross distortion" and said the report recommended the type of closer co-operation between governments in economic matters which is the purpose of this weekend's Williamsburg summit.

Sir Geoffrey Howe, Chancellor of the Exchequer, attempted to play down the significance of the report.

The Chancellor denied that the report showed that more than half the rise in unemployment was due to government policy. He claimed that the report said that "up to half the rise in unemployment might be ascribed to the world recession – but of course there are other powerful causes at work. The first of these was the consequences of the pay explosion which followed the breakdown of Labour's pay policy in the "winter of discontent." Second, Britain had been suffering from long-standing non-competitiveness, restrictive practices and over-manning in industry.

But behind Mr du Cann's air of injured innocence and Sir Geoffrey's protests, there is clear annoyance in the Treasury that Mr du Cann allowed the embarrassing draft to be published during the election campaign.

Relations between Mr du Cann and the Treasury have become increasingly cool in view of the Treasury committee's repeated criticisms of the Government's handling of the economy.

Mr du Cann last night denied that the draft was his report. He said it was written by advisers.

None the less, the report is described as the chairman's draft and the committee agreed that it should be published as a "useful discussion document in the days leading up to the Williamsburg conference and beyond." But the report stresses that no final decisions have been taken.

Treasury and Civil Service Committee, session 1982–83: "International Monetary Arrangements" HMSO £5.55

Report details, Page 8; Election coverage, Page 9

THE LEX COLUMN

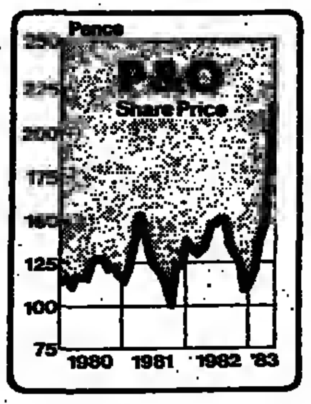
Trafalgar's sighting shot falls short

Trafalgar House's attempt to creep up unawares on P&O has backfired badly. Yesterday's opening salvo would have looked less than overpowering even if the good ship Trafalgar had not been leaking profusely all the way into battle stations. As it is, the puffs of smoke which appeared above its gunwales after yesterday's offer are unlikely to cause even a muster on P&O's bridge.

Yesterday evening Trafalgar's equity package was valuing P & O at 203.75p per share, a long way short of the market price of 215p. The offer will flush out a judgment from the Office of Fair Trading but, if Trafalgar was hoping to force P&O into a profits forecast or asset valuation, it may be disappointed. P&O could well decide that it can wriggle out of this particular bid with no more than a liberal sprinkling of the words opportunistic and derisory.

For P&O, delay may be the best defence. Its earnings record makes appalling reading and even a generous profits forecast for 1983 would be unlikely to throw up a figure much above the £41m pre-tax reported in 1981. By next year, however, the benefits of the strategic about-turn may be showing through.

So P&O can be counted upon to make strong representations to the OFT. After the BTR/Tilling deci*sion there are no grounds for* referring the offer because of its size alone and the competitive implications, for example in housebuilding, are not too worrying. But the OFT might be persuaded that the strategic consequences of a takeover in shipping and international contracting bear investigation.



ICL

After the thrills and spills of recent ICL profit announcements, yesterday's interim statement for the period to March comes as a distinct anti-climax. Pre-tax profits emerge at a creditable £13.5m compared with a loss of £13.5m. The results are flattered to tha tune of perhaps £3m by the absorption of the leasing subsidiary, and a further similar amount from the interest savings on the cash from the two rights issues. Nevertheless, the main source of the improvement, at a tima when the underlying turnover is only up by 11 per cent, remains past cost-cutting exercises; the wage bill has come down from 44 per cent to 40 per cent of revenue over the two halves.

The financial housekeeping phase has now been completed and the company is going over on to the offensive in an attempt to recover market share. An advertising campaign this year is budgeted at £2.5m, training programmes are being stepped up, and heavy launch costs are being incurred. At the same time, the switch in the product-mix towards smaller machines will tend to put pressure on margins. So the performance in the current half is likely to fall a little short of the same period in 1982.

It will take another couple of years before it becomes evident whether ICL has repositioned itself correctly in the marketplace. So far investors have shown qualified approval; adjusting for the rights issues, shareholders have seen their investment rise by 62 per cent from the day the new management was installed.

RHM

The most visible action at Ranks Hovis McDougall over the last 18 months has been the axe falling on outdated bakeries. But all the cutting and pruning – 15 units have gone already – has so far done little more than arrest the decay in profits caused by the intense competition on bread prices. In the six months to early March, virtually all the 23 per cent increase in pre-tax profits to £25.9m has come from the other UK activities.

Part of this advance con be put down to a timely milling price increase and a good UK harvest, which must have mean lowish wheat buying-in costs until around Christmas. Even so, both the grocery and Mr Kipling cake divisions showed healthy underlying growth, pushing group pre-interest trading margins up from 3 to 3.8 per cent, even after higher reorganisation costs.

Having started late on the bakery reorganisation, it will probably be another year or so before RHM begins to reap real benefits. By then, five new plants will be coming on stream in key cities, with another three to follow. In the meantime its growing non-bread interests have to struggle against the continuing losses of around £1m a month in the bakeries, where it is more dependent on the pricing tactics of Associated British Foods than anything it can do itself. Profits of £42m should be in reach for the year, giving a prospective multiple of around 9, fully taxed, at last night's price of 86p. But the yield of around 8.5 per cent remains an essential prop until it is clear that the bakery revamp has worked.

J. Sainsbury

Yesterday's movement in the share price of J. Sainsbury told as much of a story as the preliminary statement itself. The company celebrated the tenth anniversary of its public flotation with profits which topped £100m for the first time and, true to form, were comfortably ahead of outside estimates.

Yet the shares, which were 14p ahead at one stage, finished the day unchanged at 398p. Tesco and Associated Dairies, meanwhile, each saw more than 4 per cent added to their market capitalisation, presumably on the back of the Sainsbury statement. That is by now a familiar pattern. Over the past 12 months, Sainsbury shares have outperformed the market by only 1.3 per cent, while the food retailing sector as a whole has outperformed by 9.1 per cent.

Sainsbury is, of course, still displaying the husbandry for which it is famous. Using comparable year-ends, profits before tax and after profit-sharing have advanced 20.3 per cent to £100.3m. The second-half trading margin of 4.8 per cent – after stripping out a small interest paid figure – is as good as Sainsbury has ever achieved. The stock turn has improved from 14.6 to 16.3 times and labour productivity is marginally better.

But, even taking a suitably ambitious 1983 profits target of £120m pre-tax, the shares are trading on a prospective multiple of 23 times fully taxed earnings. With several of Sainsbury's competitors now building up a head of steam, it is hard to argue that the shares look cheap relative to the sector. Yet, as always, it might well be foolhardy to suggest the opposite.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	F	21	70	Malaga	S	18	65	Salzburg	R	9	48
Akrotiri	S	24	75	Faro	S	20	68	Malta	–	—	—	Seoul	S	29	84
Algiers	S	22	72	Florence	C	15	59	Manila	S	38	100	Singapore	C	32	90
Amsterdam	R	11	52	Frankfurt	C	11	52	Miami	S	29	84	Stockholm	S	20	68
Athens	S	26	79	Funchal	C	17	63	Milan	F	17	63	Strasbourg	R	11	52
Bahrain	S	37	99	Geneva	R	9	48	Moscow	S	27	81	Sydney	R	18	64
Bangkok	S	37	99	Gibraltar	S	23	73	Munich	R	8	46	[illegible]	C	30	86
Barcelona	S	16	61	Guernsey	S	13	55	Nairobi	R	24	75	Tangier	S	20	68
Beirut	S	24	75	Helsinki	S	15	59	Naples	F	17	63	Tehran	–	—	—
Belgrade	F	24	75	H Kong	R	26	79	New Delhi	C	31	88	Tel Aviv	S	27	81
Berlin	S	12	54	Innsbruck	R	10	50	New York	S	26	78	Tenerife	F	22	72
Biarritz	C	14	57	Inverness	C	11	52	Nice	F	20	68	Tokyo	C	25	77
Blackpool	C	15	59	Istanbul	S	26	79	Oporto	S	17	63	Toronto	C	21	70
Bordeaux	C	13	55	Jersey	F	13	55	Oslo	S	19	61	Tunis	S	26	79
Brussels	C	11	52	Jo'burg	S	9	48	Paris	C	15	59	Valencia	S	23	73
Budapest	S	20	68	Las Palmas	F	21	70	Prague	R	12	54	Venice	F	20	68
B Aires	C	18	81	[illegible]	R	28	82	Reykjavik	C	9	48	Vienna	R	11	52
Cairo	S	33	91	Lisbon	S	15	59	Rio de J'o	C	31	88	Warsaw	S	28	82
Cape Town	F	17	63	Locarno	F	16	61	Rome	S	20	68	Zurich	R	7	45
Caracas	C	25	77	London	F	15	59								
Casablanca	S	15	85	Los Angeles	C	26	79								
Copenhagen	T	13	55	Luxembourg	D	8	46								
Corfu	S	22	72	Madrid	S	18	64								
Dublin	F	14	57	Majorca	S	21	70								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Lloyds Intl. cuts target

Continued from Page 1

He stressed that he was not ashamed of any of the facts in the document but noted that it had been superseded by another memorandum with revised lending targets for the year.

He said the decision to cut LBI's target had been taken because of the growth in domestic UK clearing bank operations and also as a result of the impact of the drop in sterling on the bank's capital ratios.

He said the bank's lending targets were constantly under review and the group was constantly reallocating its assets to get the best possible use, Lloyds is one of the most profitable UK clearing banks.

The publication of the leaked internal memorandum is highly embarrassing for Lloyds since it comes when bankers around the world are reviewing their lending in the wake of the recent international debt crisis.

● **Raymond Hughes writes:** The injunction against the Wall Street Journal was granted by Mr Justice Kilner Brown at a private court hearing late on Monday at which its publisher Dow Jones, was not represented.

Dow Jones said last night that it had instructed its English lawyers to apply to the court to have the order cancelled.

Britain fails to secure rebate

Continued from Page 1

However, the German position on both issues might weaken the British position. On the rebate, Bonn is insisting that, as in 1982, other member states should carry the main burden of repaying the UK and that this year Germany should provide only 25 per cent of its normal contribution.

While other member states might make some small concession on this to Bonn, all would fight against such large-scale relief. Second, German spokesmen suggested yesterday that their government was preparing to leave the UK isolated

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, A.V. Hare, R.A.F. McClean, M.C. Gorman, B.A. Lawrence, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C. E. P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1983.

SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday May 25 1983

Deere plunges to $11m loss in second quarter

BY RICHARD LAMBERT IN NEW YORK

DEERE AND COMPANY, the leading U.S. farm and industrial machinery manufacturer, reported a net loss of $11.3m for the second quarter of its financial year, and said that severe pressure on its operating results would continue at least for the rest of the year.

Sales in the period dropped from $1.25bn to $1.01bn, while half year revenues were down from $2.31bn to $1.87bn. The group's net losses after six months total $39.8m compared with a profit of $36.7m in the same period of 1982.

Mr Robert Hanson, Deere's chairman, said that current business conditions remained very difficult and uncertain. Production tonnage in the first half of the year had fallen by 30 per cent, and Deere expected the figure for the full year would be down by around 23 per cent.

"It now appears thst about 15 per cent of planted acreage in the U.S. will be idle thia year as a result of the Department of Agriculture's payment in kind programme," Mr Hanson added. But while this was hurting farm equipment sales over the short term, it was expected to have a beneficial impact on farmers' incomes in the future. Net farm income in the U.S. was expected to rise by about 30 per cent this year, he said.

Deere's overseas operations had a small operating profit in the half year period, compared with a loss last year, and demand for farm equipment in Europe had improved. Net income of the retail finance and leasing subsidiaries rose from $30.4m to $39.2 million in the six months, while net income from the group's insurance operations fell by 5 per ceet to $11.2m.

Farm equipment sales in the six months were down 20 per cent at $1.62bn. Industrial equipment sales fell by 16 per cent to $249.6m and overseas sales were down by 25 per cent at $389.8 million.

Depressed earnings outlook for AT & T

By Paul Taylor in New York

AMERICAN TELEPHONE & Telegraph (AT & T), the U.S. Telecommunications group which is in the midst of a massive reorganisation, said yesterday that its earnings outlook immediately after the proposed divestiture of its local telephone operating companies on January 1 is depressed.

AT & T made the claim as part of a continuing battle before Federal Judge Harold Greene between the parent company and tha operating subsidiaries which are all eager to squeeze the best possible advantage out of the proposed break-up of the Bell System companies as part of the anti-trust settlement agreed with the U.S. Justice Department.

AT & T said its immediate ability to earn a fair rate of return on investment is "far more vulnerable" as its January 1 break up approaches.

Although long-term prospects are promising, the company said "AT & T has the least optimistic earnings outlook for the period immediately following divestiture," and cited a number of specific reasons:

- Earnings of AT & T's Western Electric subsidiary have been "severely depressed" during the recession and are expected to lag the recovery.
- AT & T faces intense competition in its terminal equipment and enhanced network services business requiring a capital infusion for its recently-formed American Bell subsidiary of $4.7bn through to 1986.
- AT & T's inter-city phone business will be subject to regulation and competition thet threatens the company's ability to earn even the authorised rate of return.

In addition, AT & T said its long-term health could be barmed if Judge Greene assigned all of the costs of reconfiguring the Bell System required by the divestiture agreement.

Modest rise for Fiat holding company

BY JAMES BUXTON IN ROME

FIAT SpA, holding company of the Italian private sector conglomerate, has announced a modest increase in net profit for 1982 to L111bn ($75m) compared with the 1981 figure of L97bn.

Dividends from subsidiaries doubled to L104bn though group turnover rose only 2 per cent to L20,750bn as a result of the disposal of assets during the year.

Fiat Auto, the car subsidiary which accounts for half Fiat's sales, sharply cut its losses.

However, the important industrial vehicles and tractor divisions produced lower profits and the earthmoving equipment sector, led by Fiat Allis, dramatically increased its losses. Teksid, head of the metals division, also recorded heavier losses.

Although the consolidated results will not appear until September Sig Francesco Paolo Matteoli, Fiat SpA's general manager, said that group operating profits would be above the 1981 figure of L90bn. The net profit figure of L111bn for the holding company was reached after adding dividends from subsidiaries to net interest and then subtracting right down on account of losses.

Shareholders are to be asked to approve an increase in dividend from L140 to L160 per share.

The most impressive figure was a profit by Fiat Auto on its European operations of L360bn, compared with approximately breaking even in 1981. However this was overshadowed by a loss of L340bn on its overseas companies, mainly in South America, where the results had to bear the cost of Fiat's withdrawal from most of its activities in Argentina and Colombia, while in Brazil – where Fiat has remained – the car company lost L34bn last year.

Fiat Auto's 1982 loss of L80bn compared with the 1981 deficit of L254.5bn. Some L357bn was set aside for depreciation and more than L200bn for research and development.

The industrial vehicles division grouped under Iveco saw its profits decline to L9bn compared with a figure of L27.3bn in 1981. Sales were marginally down at L5,000bn reflecting the effects of a 10 per cent fall in the European market as a whole and s 25 per cent drop in Iveco sales to the ftalian market, although Fiat says it bas improved its share of most of its markets.

The tractor division, led by Fiat Trattori, made profits of L9.4bn after depreciation of L37.4bn. This compares with a L15.4bn profit in 1981. Volume sales were up despite e 10 per cent fall in the overall Italian tractor market, and Fiat Trattori claims for the fourth year running to have the largest share of the European market, at 14.4 per cent.

The earth moving equipment division centred on Fiat Allis had a deficit of L84bn, after depreciation provisions of L24bn, compared with the 1981 loss of L20.4bn. Unit sales fell f4.5 per cent and turnover was fractionally down on 1981, at L970bn as the result of the drastic fall in the construction equipment market since 1979.

Teksid, whose steelmaking activities were last year transferred to the state steel company Finsider, still increased its loss from L78bn in 1981 to L113.5bn in 1982. This was partly due to the cost of rationalising the parts of the company wbich were transferred.

Annual turnover was down from L1,850bn in 1981 to L1,280bn in 1982.

The companies of Fiat's components division, accounting for f0 per cent of turnover, raised profits from L42.1bn in 1981 to L47.6bn in 1982. As usual, the smaller subsidiaries of Fiat in such activities as production systems (Comau), civil engineering (Impresit), railway products, aviation, engineering and telecommunications generally made useful profits. The BIO engineering division produced a profit of L25bn from its overseas operations alone, thanks partly to the sale of a subsidiary in the U.S.

Fiat invested a total of L1,339bn last year, compared with L818bn, in 1981. But debt, according to Sig Matteoli did not increase, remaining at about L7,000bn.

For 1983, Fiat sees increased difficulties in the industrial vehicles sector, with Iveco sales already down 18 per cent in the first three months of this year compared with the same period of 1982, and a big drop in earthmoving equipment sales.

But despite an 8 per cent fall in Italian car demand in the first quarter, Fint increased its market sbare in its home country by two percentage points to 53.3 per cent, thanks largely to the success of the new UNO small car launched in January wbich by April 30 bad sold 90,000.

Fiat car sales were down 3 per cent compared with 1981 in the first quarter.

Lancia to swallow one third of planned spending

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

NEARLY a third of Fiat Auto's capital expenditure programme for 1980-85 is earmarked for Lancia, the group's upmarket car offshoot, says Sig Vittorio Ghidella, managing director.

"If the Fiat group is to retain over 50 per cent of the Italian car market, we need Lancia with a full product range and a precise indentity," be maintains.

Lancia accounts for about 8.5 per cent of Italian new-car sales, having overtaken Alfa Romeo, the state-owned group. Sig Ghidella says the target is to push Lancia's market share up to 10 per cent.

"From this home base it is worth supporting a separate Lancia effort in export markets," he suggests.

Sig Ghidella admits that the previous approach, where Lancias were mixed with Fiats in the same retail outlets, was a "very, very sad experience."

From now on, in Italy and elsewhere, Lancias will be marketed and sold separately. In cases where Fiat dealerships keep the Lancia franchise, they will be expected to bave separate facilities and salespeople for each marque.

Currently the initial success of the restyled Delta hatchback and the new Prisma – s booted, medium-sized car – has pushed output of the main Lancia plant at Chivasso, 30 miles from Turin, to capacity. It is producing 275 Prismas, 152 Deltas, 55 Trevis, 35 coupés and HPE models and 10 Gammas a day. The nearby satellite plant is turning out a further 30,000 cars a year – mainly the Trevi saloon – while the Autobianchi mini-car plant near Milan is also at its 80,000-a-year capacity.

The Chivasso plant came on stream in 1972 and has been revamped at the cost of L130bn ($88m) over the past two years, with a substantial percentage of the expenditure going on new anti-corrosion and painting equipment.

Sig Ghidella says that when Lancis needs more production capacity in future, space will be found at one of the Fiat plants.

Fiat acquired Lancia in 1969 for a token L1 for each of the 1m shares (worth $104,000 at that time) but took on Lancia's debts. Sig Ghidella will not even attempt to guess the subsequent cost of Lancia to the Fiat group because, mainly for political expediency, Lancia's losses have not been identified when the group's results have been announced.

Fiat attempted for some years to live up to an undertaking to keep Lancia as a completely separate organisation. But its low volumes – output in the early 1970s was nnly 40,000 cars a year – preveoted the company from earning eonugb to cover its model replacement programme. It was brought more closely under the influence of the mass-production Fiat car business.

Sig Ghidella hints that there will be much more commonality in the components used by Fiat and Lancia in future. The prime example is a project codenamed "Type Four" to develop front and rear suspension systems and other mechanical parts to be common in a Fiat model to be launched in 1985 as well as a Lancis and an Alfa Romeo.

Each marque will build its own body and fit its own engine to the common parts.

Saab, the car division of Saab-Scania of Sweden, was at first expected to become more closely involved in the Type Four project – in fact, Sig Ghidella says, a full merger of Saab and Lancia was contemplated – but that has not worked

Lancia's best export market is France, where an independent importer, Chardonnet, has been selling at the rate of 22,000 a year. West Germany is now close to replacing the UK as the second-best market because sales there are on the way up while those in the UK have fallen steeply from the peak of 11,800 in 1979 to just over 5,000 last year. Lancia hopes to stop the rot now that the import franchise, previously held by Fial's own subsidiary in the UK, has been handed over to the Heron group, a change which took place in March this year.

Comsat unit to speed satellite TV plans

BY PAUL TAYLOR IN NEW YORK

SATELLITE Television Corporation, the Comsat subsidiary, said yesterday that it intends to speed up the planned introduction of its U.S. direct broadcasting pay television service using satellites and dish aerials.

The company plans to offer five televisinn channels, beginning in autumn next year, broadcasting to the north eastern U.S., including Boston, New York, Baltimore, Washington, Philadelphia and Richmond.

The move is a further indication of the increasingly competitive race to begin direct broadcasting in the U.S. using satellites.

Earlier this month Mr Rupert Murdoch, the Australian publisher, revealed plans to launch five direct broadcast channels using leased satellite space later this year.

The latest proposal, which is subject to Federal Communications Commission approval, also represents a major change in its earlier announced plans to introduce direct broadcasting. These changes will enable the company to introduce a high-power six-channel direct broadcasting service covering the entire eastern and central time zones of the U.S. in 1986, reaching about 80 per cent of all U.S. television households.

The new plan will also enable the company to offer its service to about a quarter of all U.S. television households much sooner than originally envisaged. To meet the new timetable, it has contracted with Satellite Business System (SBS) to modify the SBS-4 satellite now under construction.

Further gains for Turner Broadcasting

BY PAUL TAYLOR IN NEW YORK

TURNER Broadcasting, the pioneering U.S. television and cable news group run by Mr Ted Turner, yesterday reported a further improvement in its net earnings.

The company reported a net profit nf $2m nr 10 cents a share in the first quarter, compared with a $5.33m loss in the same period last year. The improved earnings continue s trend begun in the third quarter last year, which ended a run of quarterly losses since the formation of the cable news network in 1979.

In the latest quarter the company had revenues nf $44.5m compared with $28.4m in the same period last year.

Separately Mr Turner, chairman and president nf the company, said Turner Broadcasting has abandoned previously announced discussions with several larger companies about the possibility of some form of combinatinn of business interests.

In February, Mr Turner said it bad been holding "exploratory" talks with other companies regarding "possible areas of mutual assistance including the possibility of combinntinn in some form of business interests."

Yesterday Mr Turner said the company did not currently expect a combination of business interests with any other enterprise. The talks had included companies like CBS, Time Inc and Gannett.

Generali increases profits and investment

BY OUR FINANCIAL STAFF

ASSICURAZIONI Generali, the Italian insurance group, reports an increase in profits for 1983, despite majnr transfers to investment funds.

Against L46.8bn in 1981, net earnings have risen by more than a tenth to L52.1bn ($35.2m). The result is struck after n transfer of L7bn to s reinvestment fund, against L4.2bn n year ago.

The company, which is the leading blue-chip on the Milan bourse, is to pay shareholders a maintained L1,100 a share dividend.

Gross premiums rose to L4,664bn during the year. This represents a gain of 22 per cent over the L3,790bn of 1981. First half 1982 premiums were running 19 per cent ahead.

The company said yesterday that it had put L396bn to reserves following a revaluation of assets and shareholdings in companies under group control.

Last month the company unveiled plans for a major share split. Shareholders will be able to exchange one L8,000 share for four new shares of L2,000 each. The move is to follow a doubling of nominal capital from the present L4,000 shares.

Grumman in F-14 price talks with U.S. Navy

BY OUR NEW YORK STAFF

GRUMMAN, the U.S. military aircraft and space systems manufacturer, has started negotiations with the U.S. Navy on a new price and production schedule for the company'a F-14 Tomcat fighters, which some navy officials want to stop building temporarily to save money.

Mr George Skurla, president and chairman of Grumman Aerospace, the subsidiary which builds the fighter, earlier this week met Mr John Lehman, the U.S. Navy Secretary to discuss "an alternative production schedule for the F-14."

Neither the company nor the navy disclosed details of the discussions. Grumman said, however, the plan is designed to free funds needed to upgrade existing F-14 fighter engines without resorting to an interruption in production of the jet.

The navy wants to replace the F-14's existing Pratt and Whitney engines with more powerful General Electric units but is under a budget squeeze because of its spending on other projects like the McDonald Douglas F-18.

As a result some navy officials are thought to favour saving the money for the engine upgrade by abandoning nrders for the 72 F-14'a due to be built between 1986 and 1988. The F-14 costs about $40m an aircraft and is n mnjor component in Grumman's revenues and earnings.

Aeritalia doubles earnings

By John Phillips in Rome

AERITALIA, Italy's leading aircraft manufacturer, has announced that its net earnings virtually doubled in 1982.

The result was made public as the first unit of Tornado multi-task combat aircraft built jointly by Aeritalia with British Aerospace and Messerschmitt of West Germany, was put into service with the Italian air force.

Net earnings last year were L4.23bn ($2.8m) compared with L2.2bn in 1981. Pre-tax profits were L9.8bn in 1982, and Aeritalia last year increased its sales by 52 per cent to L800bn.

The company is a junior partner in building the Boeing 767 aircraft, and other planes which it is producing continue to sell well.

Bekaert plans to lift capital by BFr 1bn

By Our Financial Staff

BEKAERT, the Belgian wire group, plans s capital increase and says group profits for the first six months of 1983 are likely to be satisfactory.

The Bekaert parent company proposes to step up its capital by BFr 1bn ($20m) some time in September, shareholders were told at yesterday's annual meeting.

The outlook for the group remained "excellent" the company said. Profits for the 1983 first half were likely to show results as satisfactory as those for the opening six months of 1982.

Last year, the group achieved e major profits recovery with net earnings rising steeply from BFr 40m to BFr 759m.

Necessity mothers trading ideas at VW Mexico

BY WILLIAM CHISLETT IN MEXICO CITY

COFFEE AND BAUXITE trading may seem remote from motor manufacturing, but they have this in common for Volkswagen's ailing Mexican operations, they help provide the foreign currency it needs under Mexican foreign exchange controls to import components.

VW, the largest car producer in Mexico, has been squeezed by the heavy devaluation of the peso, which fell last year against the U.S. dollar by 82 per cent, on the basis of the free market reaching a level of 150.

The shrinking Mexican car market, which declined 15.7 per cent in 1982 and is forecast to decline another 20 per cent this year, together with the extra cost in peso terms of paying for imported parts, have made VW become more export orientated.

Under a formula, introduced in 1977 to reduce the motor industry's drain on the balance of payments and to encourage greater local integration, manufacturers bave to match each dollar of imports with a dollar of exports. Mexico is living from hand to mouth, largely because of the burden of its external debt of $83bn, and reduced income from its oil exports.

The shortage of dollars was so critical last September, wheo full exchange controls were introduced under the former President, Jose Lopez Portillo, and private banks nationalised, that VW postponed paying its imports bill for the last quarter of 1982 until February.

As a result, VW is not only exporting more finished cars and kits to earn dollars and compensate for the slump in sales in Mexico, but it is also branching ont into other activities. This is despite its baving, unlike many other companies in Mexico, no external debt of its own to service.

In recent months, VW has opened up a new coffee market for Mexico worth $40m in the six months to April. VW is acting as the intermediary between the Mexican Coffee Institute and European dealers who are selling the coffee to non-member countries of the International Coffee Organisation.

Similarly, VW is negotiating a deal to sell 10,000-12,000 Beetles—the most popular car in Mexico—in Jamaica. But, with Jamaica facing its own foreign exchange problems, the deal depends on VW finding a buyer for the Jamaican bauxite, paying in dollars.

VW in Mexico made a net loss last year of DM 106m ($42.8m), after a net profit in 1981 of DM 84m. The VW group made a net consolidated loss of DM 300m in 1983, the first deficit since it ran np a DM 960m loss in 1974-75, and resulting largely from overseas operations.

Ironically, VW's chairman in Mexico, Hans Barschkis, believes that the company there could sell more of its Beetle, Caribe (or Golf under another name) and Atlantic (Jetta) cars in Mexico, despite the recession.

MEXICO'S motor industry, which is largely dominated by *the subsidiaries* of Volkswagen, Ford, Nissan, Chrysler and General Motors, suffcred a 46 per cent drop in sales in the first quarter of 1983, when 78,823 cars and lorries were sold, compared to 146,216 in the same period of 1982.

The worst hit was General Motors, with sales down 53.2 per cent to 8,954. Chrysler's sales fell 48 per cent to 12,233 and these of Volkswagen, the leading car producer, 33 per cent to 26.031.

But VW is having to divert sales away from its domestic market bere.

Barschkis compares the Mexican car market to a pyramid which is reshaping itself.

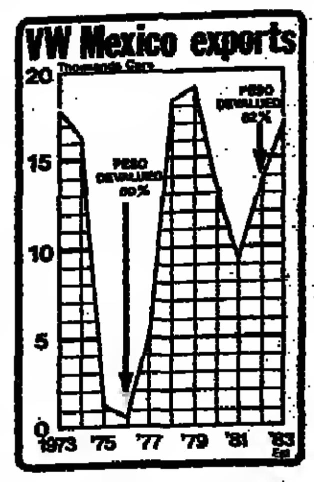
The base of the pyramid, represented by the Beetle, is disappearing because even this car is now too expensive for its traditional, low income buyers. The top of the pyramid, represented by large cars like the Ford LTD is also disappearing. Mr Barschkis believes that VW will increase sales as people switch to smaller cars. The price of a Beetle has shot from about 330,000 pesos in 1982 to 500,000 pesos now, in sympathy with the rate of inflation, and that of petrol from 10 to 24 pesos a litre in six months.

Sales of the Caribe in the first quarter of 1983 numbered 8,037 units compared with 5,731 in the corresponding 1982 period.

Beetle domestic sales, however, fell 1,110 to 10,584 units, as more were exported. "We are astonished by this situation. I did not expect it—but we cannot cope at tha moment with the domestic demand, becausa we have to export," says Mr Barschkis.

In 1980, seeing the need to boost exports, VW opened the most modern engine plant in tha VW group, with an investment of DM 600m. About 200 engines a day are exported to VW's U.S. operation at Westmorland, Pennsylvania—along with sheet metal and chasses—and 300 more are made for domestic use. This is well below the plant's capacity of 1,600 engines a day.

VW's U.S. operation has fallen on hard times and there is little immediate prospect of a recovery in its U.S. market



where VW sales have dropped by almost one third. Most of this year's capital investment of DM 64m, down from DM 235m in 1982, is for the engine plant at Puebla.

Mr Barschkis lived through the 1976 Mexican financial crisis when the peso was devalued by 60 per cent. The 1982 situation was a repetition of history—hut more dramatic.

The 1976 crisis coincided, fortunately for VW in Mexico, with the discontinuation of Beetle production in West Germany. "We jumped into that hole and exported more than 5,000 Beetles to Europe." By Christmas last year, Mr Barschkis had detected a comeback for the Beetle in Europe.

Exports this year, he says, will be about 20,000, double the amount in 1982. "It is our salvation."

New markets have also been sought since last year to compensate for the poor performance of its U.S. market. In April, a $105m export deal was struck with Nigeria, which will receive 1,000 finished Caribes and 30,000 Caribe and Atlantic kits. They will be assembled at VW's plant in Nigeria, which is majority government-owned.

VW Mexico faced competition from its giant sister operation in Brazil and from other car producers. Its policy of never having obsolete models paid off. Tha Nigerian VW plant had switched, before the export deal, from VW Brazil to VW Mexico for supplies of components.

The Mexican Foreign Trade Bank agreed to finance 50 per cent of the shipments to Nigeria over a 180-day period, rather than the standard 90 days.

The Mexican VW is also seeking to expand its present arrangement with VW Brazil, under which the two companies barter components. This is reflected in the largest container harbour in Mexico being at the VW plant.

VW hopes to be included in the barter deal, between the Mexican and Brazilian Governments which has discussed last month when General Joao Baptista Figueiredo visited Mexico.

At the same time, VW has cut its overheads by reducing its workforce from 15,600 last September to about 11,000. But Mr Barschkis has made a point of not cutting back tha company's training programme, which ba regards as an investment.

The man behind the export drive

When Hans Barschkis, the stocky, silver-haired chairman of VW's Mexican operation, arrived in the country in 1964, the VW presence consisted of a small assembly plant at Xelostoc with 260 employees.

Today, Mr Barschkis, who is 63, presides over a large complex near the city of Puebla which employs about 11,000.

The first Beetle to be imported into Mexico, in 1954, is parked in the marble corridor outside his office along with the latest model and the 20 millionth Beetle of all, produced at Puebla. He calls the Beetle "our bread and butter,"—over 1m Beetles have been sold in Mexico.

Born in Luebeck, West Germany, he was educated in Spain and England, and at the age of 31 became the managing director of a ballbearing factory in Buenos Aires. Later he became Latin American delegate for VW.

In 1964 Mexico's car industry was in its infancy. The decisions to move the VW operation from Xalostoc to Puebla was taken quickly after his arrival in the country. U.S. car manufacturers like Ford and General Motors, set up in Toluca, near Mexico City, which is served by rail from Detroit. But Mr Barschkis picked Puebla for VW's plant because he wanted to be on his own. "If you have too many industries in one place everybody ends up running around in circles and labour costs skyrocket."

Puebla is a small provincial city, 70 miles from Mexico City, and does not suffer the labour market fluctuations of the capital (population 18m).

A school started to train mechanics, ahead of the Puebla opening, is now the largest in Latin America.

Mr Barschkis's approach is epitomised in VW's cornering the Mexican taxi market. In tha early 1970s VW tried to break into this market but it was barred by the law that taxies had to have four doors. The Beetla has only two doors.

Market research inside and outside Mexico, however, was undertaken to show that most taxi rides were for two people.

The authorities were impressed by the arguments, particularly the pitch that using Beetle taxies was a way to promote property ownership among low wage earners. Today there are 40,000 Beetle taxis in Mexico.

North American Companies

Investors Update 2

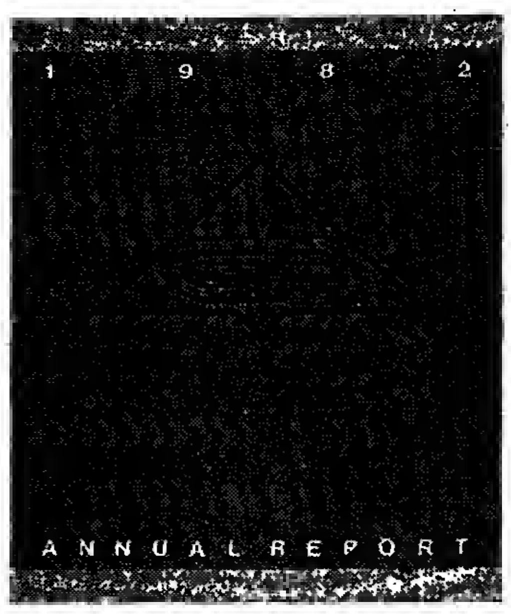
These eleven Annual Reports are designed to keep you informed on major North American companies.

EMERY AIRFREIGHT

Emery Air Freight Corporation is an international air cargo system operating from 177 offices in 49 countries. It delivers overnight any size, any weight, any value shipment to 20,000 North American communities, and it provides scheduled 24- to 72-hour, door-to-door service between North America and Europe.

First Interstate Bancorp

With assets of $40.9 billion, the company is the 8th largest U.S. banking organization. It ranks 6th among major U.S. bank holding companies in return on assets and 7th in return on equity.
At $2.11½ a share paid in 1982, dividends were up 6.3% over 1981, the 6th increase in just over 5 years, during which time the dividend rate has grown 114%. The company's First Interstate Banks operate 936 offices in 11 western states. Alaska and Hawaii will become vital extensions of this territory in 1983 via franchising of the First Interstate name and banking products.

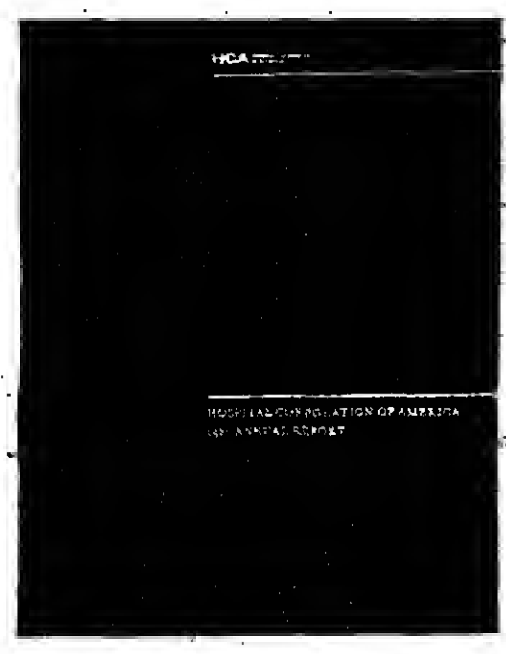


Georgia-Pacific Corporation

Georgia-Pacific net sales in 1982 were $5.4 billion. To off-set the pressures of a recessionary year and to prepare for solid advancement in the coming years, G-P management moved ahead with some bold tactical decisions. Operating costs were cut, facilities consolidated and plant modernization continued in plants and mills in all major divisions. G-P made steady progress into new markets and strengthened their competitive position in the marketplace. More than ever, the years ahead show the promise of exciting growth and significant profit potential.

Frank B. Hall & Co. Inc.

Frank B. Hall is a leading international insurance services firm with revenues of $364,871,000 and net income of $24,043,000 ($2.07 per share) in 1982. Revenues have more than doubled during the last 6 years. Since 1975 dividends have increased at a compound annual rate of 19%. Currently the Company pays $1.70 annual dividend. NYSE symbol FBH. The editorial section of the Hall Report contains a highly educational overview of the worldwide insurance marketplace.

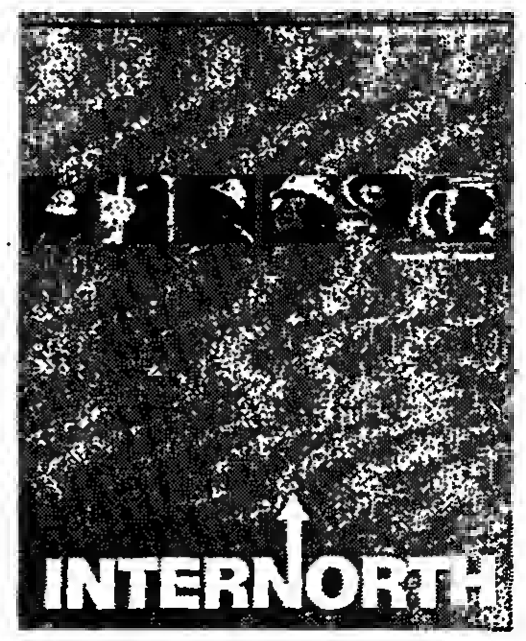


Hospital Corporation of America

HCA is an international health care company committed to the delivery of quality patient care at a reasonable cost. Founded in 1968 with the acquisition of one hospital, HCA and its affiliates now own or manage hospitals or other medical facilities in more than 350 communities worldwide. HCA's compound rate of growth for the past five years is 42% in revenues and 39% in net income. The Company has never experienced a year or a quarter in which earnings did not increase substantially over the prior period. Revenues in 1982 totalled $3.5 billion while net income increased 55%.

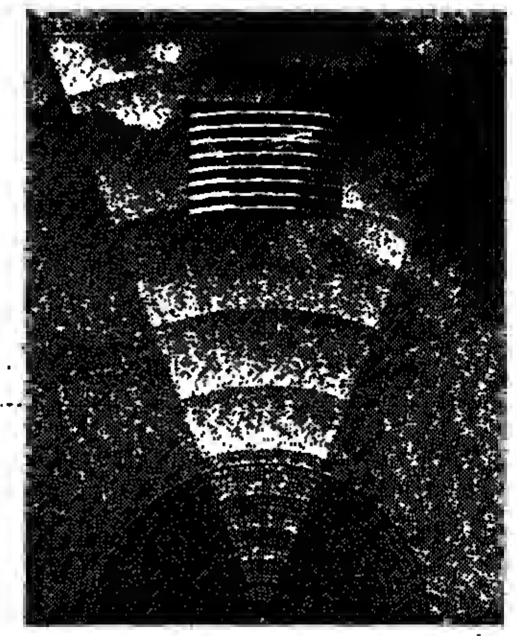
Idaho Power Company

With one of the heaviest snowpacks in history covering Idaho's mountains in 1982, Idaho Power, a predominantly hydroelectric utility, reported record net income, record earnings per share of common stock, and record return on common equity. At year end, pretax interest coverage was 3.47 times, short-term debt had been eliminated, long-term debt made up less than 50% of the company's capitalization, and construction needs were reduced dramatically.



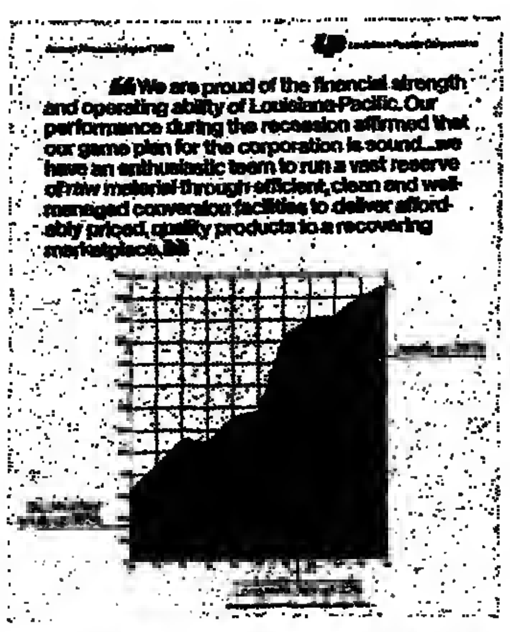
InterNorth, Inc.

InterNorth is a diversified, energy-based corporation involved in natural gas, liquid fuels, petrochemicals, and exploration and production. The 1982 Annual Report shows earnings of $3.01 per share, net income of $135,066,000 and operating revenues of $4,158,986,000. International headquarters: Omaha, Nebraska.



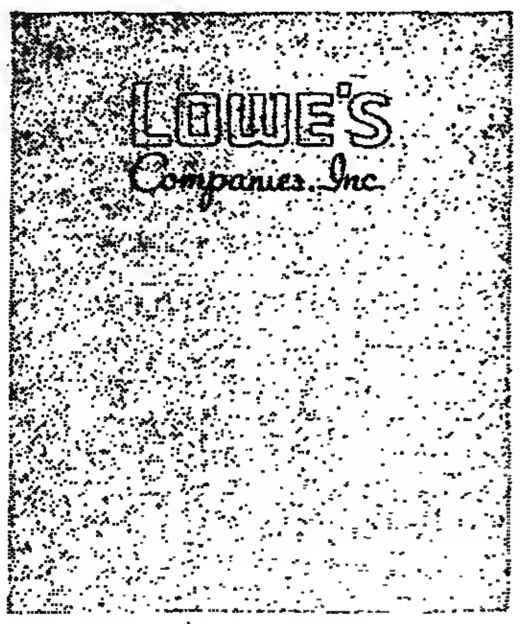
Loral Corporation

Electronic warfare is rapidly becoming an integral part of the defense systems of all western countries. Loral Corporation is a leading supplier of electronic warfare systems to the United States and its allies, and has recently expanded into the related areas of microwave integrated circuits, instrumentation, information and graphic display systems, telemetry, space and military communications.
The company has achieved record sales and earnings in each of the past nine years. Its backlog of orders exceeds $365 million, and the continuation of its increasing performance is virtually assured by its large and diverse portfolio of major, long-term EW production programs.



Louisiana-Pacific Corporation

Louisiana-Pacific's strong balance sheet, upgraded manufacturing capabilities and new product emphasis put it in an excellent position to capitalize on the recovery. The company is a major producer of quality building products, including Waferwood–rapidly replacing plywood as the product of choice for do-it-yourselfers and builders. L-P's chairman, Harry A. Merlo, was chosen 1982's top CEO in the forest products industry in a survey of security analysts conducted by the Wall St. Transcript.



Lowe's Companies, Inc.

Lowe's Companies, Inc. is the world's largest retailer of building materials for new home construction and for the Do-It-Yourself business. Operating in America's Sun Belt, Lowe's is strategically positioned to capitalize on the future. But our past hasn't been shabby. Last year The Economist rated us the 12th hottest stock in the world in 1982. Get our 1982 report and learn about how we make things sizzle. P.S.: Our shares are traded on the New York and Pacific Exchanges and, of course, on The Exchange (London), where you can buy LOW.

MASCO CORPORATION

Masco reported its 26th consecutive year of earnings growth. Net income in 1982 was $92.2 million or $1.78 per share, representing increases from the previous year of 4 percent and 3 percent, respectively.
Masco, with leadership market positions, manufactures faucets and other building products; energy-related and other specialty products; and cold extruded and other industrial products.
Send for our 1982 annual report to learn why we believe Masco's sales, from internal growth alone, will more than double over the next five years.

Please send me the following Annual Reports:

- ☐ 12 EMERY AIRFREIGHT
- ☐ 13 First Interstate Bancorp
- ☐ 14 Georgia-Pacific
- ☐ 15 Frank B. Hall & Co. Inc.
- ☐ 16 Hospital Corporation Of America
- ☐ 17 Idaho Power Company
- ☐ 18 Internorth, Inc.
- ☐ 19 Loral Corporation
- ☐ 20 Louisiana-Pacific Corporation
- ☐ 21 Lowe's Companies, Inc.
- ☐ 22 Masco Corporation

Please send me also Annual Reports from May 24th & May 26th issues.

- ☐ 01 AMCA International
- ☐ 02 American International Group, Inc.
- ☐ 03 American Medical International
- ☐ 04 AMETEK, Inc.
- ☐ 05 AMP Incorporated
- ☐ 06 AVCO Corporation
- ☐ 07 Canada Cement Lafarge Ltd.
- ☐ 08 Cole National Corporation
- ☐ 09 CPT Corporation
- ☐ 10 CSX Corporation
- ☐ 11 EDO Incorporated
- ☐ 23 Nabisco Brands, Inc.
- ☐ 24 Niagara Share Corporation
- ☐ 25 NOVA, AN ALBERTA CORPORATION
- ☐ 26 Omark Industries, Inc.
- ☐ 27 Pacific Gas and Electric Company
- ☐ 28 Pacific Power & Light Company
- ☐ 29 Pandick Press Inc.
- ☐ 30 The Penn Central Corporation
- ☐ 31 Teleflex Incorporated
- ☐ 32 TransAlta Utilities Corporation
- ☐ 33 United Energy Resources, Inc.

Name ______________________

Position ______________________

Company ______________________

Address ______________________

Please return coupon by August 2, 1983

To: Neil Ryder
Financial Times
Bracken House, Cannon Street
London EC4P 4BY

or

To: Clyde Walton
Financial Times
75 Rockefeller Plaza
New York, NY 10019

Part of a 3 Page series, appearing on May 24, May 25 and May 26

Philippines Pepsi unit taken over

By Emilia Tagaza in Manila

PEPSICO of the U.S. is to fully take over its Philippine subsidiary, which was found last year to have been involved in accounting irregularities. The takeover will involve the acquisition of all the assets and liabilities of the local unit which are in the hands of the local partners.

Apart from taking over the operations in the Philippines, Pepsico will also infuse US$20m in fresr funds (in addition to $67m injected earlier this year) to cover the capital deficiency that resulted from the accounting anomalies committed by the former managers.

Sycip Gorres Velayo (SGV), the local subsidiary's external auditors, said in its report to the Philippine Securities and Exchange Commission that there was "an overstatement of income for the years 1979, 1980 and 1981."

The over-stated earnings amounted to 263.4m pesos ($27m) for the three-year period, but when proper adjustments were made on the accounts, the 1982 financial performance was found to have actually resulted in a deficit of 1.2bn pesos.

Record sales and profits from Mitsubishi Electric

BY YOKO SHIBATA IN TOKYO

MITSUBISHI Electric achieved record sales and profits in the year to March, reflecting strong growth in sales of semi-conductors and office computers.

Unconsolidated pre-tax profits rose by 5.6 per cent to a record Y50.39bn ($214m) and net profits by 13 per cent to Y25.08bn, on sales of Y1,392bn compared with Y1.32bn. Profits per share advanced to Y15.83, from Y14.14 and the dividend is unchanged at Y6.

Sales of beavy electrical equipment were affected by weak demand from domestic utility companies and fell by 3 per cent in the year to account for 26.3 per cent of the total. Sales of consumer electric products were affected by the cool summer and rose by only 2.3 per cent, but sales of electronic and industrial equipment were increased by 16.7 per cent to account for 33 per cent, thanks to advances in sales of semi-conductors, up by 20.5 per cent, and computers, up by 29 per cent. Exports gained by 12.7 per cent to account for 22 per cent of the total.

The growth in earnings to record levels was attributed to the effects of increased sales and to an improvement in export profitability caused by the yen's depreciation.

Sales of beavy electrical equipment are expected to increase by 13 per cent in the current year, helped by the completion of large plants overseas. Semi-conductor sales are expected to grow by 28 per cent, thanks to increased production of 64K dynamic random access memories (RAMs) to 5m chips per month from the current level of 2.5m. Sales of computers are also forecast to increase by 28 per cent.

The company expects record sales of Y1.54bn, up 11 per cent, pre-tax profits of Y53bn, up 5 per cent, and net profits of Y27bn, up 8 per cent.

Fuji Electric earnings fall

TOKYO — Fuji Electric has reported parent company net profits for the year to March 31 down 4.3 per cent to Y4.5bn ($19.5m) from Y4.7bn a year earlier.

Sales rose 3.6 per cent to Y342bn from Y330bn. Earnings per share fell to Y9.70 from Y10.15.

The company, owned 9.4 per cent by Siemens of West Germany, said its net was hurt by accounting changes following a change in Japan's commercial code. Under the previous accounting standards, the net would have been Y46m higher than last year.

Sales of heavy electric machinery fell 1 per cent to Y156.8bn. Sales of multi-purpose electric machinery rose 2 per cent to Y89bn. Sales of measuring instruments rose 10 per cent to Y56.205bn, while sales of vending machines and special appliances rose 20 per cent to Y40bn.

Export rose 13 per cent to Y82.4bn. Orders outstanding at the end of the fiscal year fell 3 per cent to Y244bn.
AP-DJ

CUB in A$42.75m rights issue

By Michael Thompson-Noel in Sydney

AUSTRALIA'S Carlton and United Breweries is seeking A$42.75m (US$37.6m) via a rights issue aimed at improving group liquidity and bolstering continued development.

The group is issuing 19m ordinary A$1 shares at a premium of A$1.25, making A$2.25, compared with yesterday's closing price of A$2.55.

In the half year to last December 31, its net profit improved slightly to A$24.6m, against A$23.4m previously, despite a sharp increase in interest charges to A$18.3m.

● Crusader Oil said it will spend US$19m to buy an 18 per cent stake in its U.S. shareholder, Triton Energy, after raising A$11.1m through a placement of 1.97m shares to institutions at A$5.60 each, reports Reuter from Brisbane.

Crusader Oil, a subsidiary of Crusader Resources, said that since Triton did not participate in the placement, its shareholding would be reduced to about 47 per cent from 50.09 per cent.

Crusader said it is arranging further term financing of about A$15m.

Toray Industries suffers 21% pre-tax downturn

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

TORAY INDUSTRIES, Japan's largest synthetic fibre maker, suffered a 21 per cent *fall* in non-consolidated pre-tax profits in the 12 months ending March. The downturn was due to sharply falling sales of the company's mainstream synthetic fibres (including nylon and polyester) in the home market and overseas. Strong sales by the company's chemical and plastics divisions belped to cushion the fall.

Pre-tax profits amounted to Y17.67bn ($74.9m) against Y22.37bn on sales up by 1.6 per cent to Y565bn. Net profits rose 30.5 per cent to Y14bn because changes in Japan's commersial code enabled the company to liquidate reserves for depreciation and for losses on overseas operations.

Textile sales fell by 2.8 per cent to account for 68.7 per cent of the total with an 11 per cent rise in synthetic suede sales offset by falls in sales of all the companies staple synthetic fibres. The sales falls were especially sharp in overseas markets with nylon exports down, for example, by 29.7 per cent.

However the plastics division fared well, increasing sales by 13.8 per cent and its share in overall turnover from 19.6 to 22.0 per cent. Polyester film (used for video tape cassettes) performed particularly well, increasing sales by 16.5 per cent. Toray's two other non-textile divisions also produced good sales results. Sales of chemical products were up 14.5 per cent to account for 5.6 per cent of the total and the new products division, which includes bio-chemical products and carbon fibres, recorded a 4.1 per cent sales increase to account for 3.7 per cent.

For the current year Toray forecasts sales of Y590bn and operating profits of Y20bn.

● Kanebo, the Japanese fibre manufacturer which has diversified strongly into food and cosmetics, reported sales of Y158.7bn for 1982, down 0.8 per cent. Pre-tax profits, however, recovered strongly and at Y3.48bn were 58 per cent up on 1981.

Kanebo attributes the recovery to savings on energy and material costs reflecting the introduction of joint purchasing with other manufacturers. The company also claims to have successfully increased added value in its synthetic fibre division. Kanebo forecasts sales of Y170bn and pre-tax profits of Y5.5bn for the current year.

Poor demand by machine tool makers hits Fanuc

BY OUR TOKYO STAFF

FANUC, Japan's leading manufacturer of numerical control (NC) equipment and industrial robots, suffered a setback in unconsolidated sales and profits in the year to March, its first downturn in eight years. The fall was attributed to sluggish demand for numerical control systems from the recession-hit machine tool manufacturers.

Pre-tax profits were 7.4 per cent lower at Y29.740bn ($126m) and net profits 0.4 per cent lower at Y15.63bn, on sales of Y82.7bn, down by 10.4 per cent. Profits per share for the year were Y240.52, compared with Y301.91 and the dividend is beld at Y13 per share.

Sales of NC systems for machine tools dropped by 13.7 per cent to account for 83.7 per cent of the total. Salca of robots rose by 11.5 per cent. Exports fell by 29.3 per cent to account for 32.8 per cent of the total *including indirect* exports (NC systems incorporated in machine tools and exported by Japanese machine tool makers) down by 53.4 per cent to account for 12.6 per cent.

With a full contribution from the higbly automated new Fuji factory, in which robots make robots, and the effects of *rationalisation, the company's* cost-to-sales ratio improved by 1.9 percentage points to 52.4 per cent and its net financial balances rose to Y2.13bn from Y569m.

The company expects a recovery in NC system sales to the U.S. this year and the start of spot-welding and paint-spraying robots in the newly established joint venture with General Motors of the U.S. is expected to boost robot sales. Full year sales are expected to reach Y92.5bn, up by 12 per cent, pre-tax profits of a record Y32.4bn are forecast, up by 8.9 per cent as are net profits of Y16bn up by 2.4 per cent.

Holidays & Travel

Overseas

FLIGHTS

BUSINESS FLIGHTS

SELF-CATERING

CITY BREAKS

U.K.

HOTELS

SELF-CATERING

HOLIDAY ACCOMMODATION

COMPUTER HOLIDAYS

ACTIVITY HOLIDAYS

COMPANY NOTICE

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHARES

DECLARATION OF DIVIDEND No. 148 ON THE 40 PER CENT CUMULATIVE PREFERENCE SHARES OF R5.00 EACH

Dividend No. 148 of One Rand (R1.00) per share in respect of the six months ending 30th June, 1983, has been declared payable to the holders of the 40 per cent preference shares registered in the books of the Company at the close of business on 24th June, 1983, and to persons presenting Coupon No. 148 detached from the preference share warrants to bearer. A notice regarding payments of dividends on Coupon No. 148 detached from share warrants to bearer will be published in the Press by the London Secretaries of the Company on or about 17th June, 1983.

DECLARATION OF DIVIDEND No. 16 ON THE 8 PER CENT CUMULATIVE SECOND PREFERENCE SHARES OF R1.00 EACH

Dividend No. 16 of 8 cents per share in respect of the six months ending 30th June, 1983, has been declared payable to the holders of the 8 per cent cumulative second preference shares registered in the books of the Company at the close of business on 24th June, 1983.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 25th June, 1983, to 8th July, 1983, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 28th July, 1983. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 27th June, 1983, of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 24th June, 1983.

The effective rate of non-resident shareholders' tax is 11.001 per cent.
The dividends are payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

By order of the board
J. D. S. ENGELS
Secretary
Head Office:
36 Stockdale Street
Kimberley 8301

Transfer Secretaries:
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg 2001
(PO Box 61051 Marshalltown 2107)
Charter Consolidated P.L.C.
PO Box No. 102
Charter House, Park Street
Ashford, Kent TN24 8EQ
25th May, 1983

De Beers
De Beers Consolidated Mines Limited

N.V. NEDERLANDSE GASUNIE

UA 20,000,000
11¼% 1981/1988 BONDS

On May 10, 1983 Bonds for the amount of UA 1,000,000 have been drawn for redemption in the presence of a Notary Public. The Bonds will be reimbursed coupon No. 3 and following attached on and after July 1, 1983.
The numbers of the drawn Bonds are as follows:
17067 to 18066 incl.
Amount outstanding: UA 10,000,000.
The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise
Luxembourg
May 25, 1983

NOTICE TO BONDHOLDERS
CITY OF COPENHAGEN

25,000,000 EUROPEAN UNITS OF ACCOUNT 8¼% 1979/1991 BONDS
Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that nominal UA 1,028,000 have been purchased for the Purchase Fund during the twelve-month period from May 15, 1982 to May 14, 1983.
Amount outstanding: UA 20,578,000.
THE FISCAL AGENT
May 25, 1983.

FLEMING JAPAN FUND S.A.

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8,392

DIVIDEND NOTICE
A dividend of US$0.28 has been declared payable as from May 17th, 1983 against surrender of coupon No. 13.
Paying agent:
Kredietbank S.A.
Luxembourgeoise
43, boulevard Royal,
Luxembourg.
FLEMING JAPAN FUND S.A.
By Order of the Board
The Secretary

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN RYOBI LIMITED

We are pleased to announce that copies of the Annual Report for the year ended 30th November, 1982 of Ryobi Limited are now available to EDR holders upon application to the Depositary and the Depositary's Agent, The Bank of Tokyo (Luxembourg) S.A., Luxembourg.
THE BANK OF TOKYO TRUST COMPANY
London (Depositary)
25th May, 1983.

LEGAL NOTICE

IN THE MATTER OF
CLIFFORD AND TULL LIMITED
AND IN THE MATTER OF THE
COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 18th day of June 1983, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Norman Harvey Russell of 8 Upper Grosvenor Street, London W1X 0AL, the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Joint Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 28th day of April, 1983.
N. H. RUSSELL,
P. W. J. HARTIGAN,
Liquidators.

BOND DRAWING

I.U. OVERSEAS FINANCE NV US$35,000,000
8⅜% GUARANTEED BONDS 1987

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above loan, the redemption for 1st July 1983 has been effected by the purchase of US$974,000 (nominal) and the under-mentioned bonds amounting to US$76,000 (nominal) were drawn on the 18th May 1983 for redemption at par. The outstanding balance after the 1st July 1983 redemption is US$25,900,000 (nominal).

The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA or to the other Paying Agents named on the bonds.

Bonds surrendered should have attached all unmatured coupons appurtenant thereto. Coupons due 1st July 1983 should be detached and collected in the usual manner.

For payment in London bonds will be received on any business day and must be left three clear days for examination.

BONDS OF US$1,000

579	1766	2044	2199	2394	23141	23381	23417	23480	23561
3519	4744	4983	5011	5856	23740	23877	23900	23976	25375
7280	8268	8713	8809	9045	25705	25710	26126	26486	26551
11306	11438	12154	12294	12353	26959	27319	27547	27802	28006
12438	12481	12541	12545	13666	28363	28491	28639	28490	28882
13757	14104	14885	15800	16299	29126	29491	29731	29911	30142
17364	17516	18646	18453	20051	30299	30502	30642	32126	32138
20491	20719	20726	21374	21887	32410				

HAMBROS BANK LIMITED
25th May 1983

Residential Property

Motor Cars

Art Galleries

Clubs

UK COMPANY NEWS

RHM up £4.9m at midway but bakery losses continue

AS FORESHADOWED in January et the annual meeting, balf-year results of Ranks Hovis McDougall, the food manufacturing group, show an improvement over 1981-82. However, the effects of the continuing severe competition in the bread baking industry are still holding down profits—the company's bread brands include Mothers Pride and Hovis.

Pre-tax profits for the six months to March 5 1983 increased from £21.04m to £25.93m, on a £9m rise in external sales to £842m. Mr P. W. J. Reynolds, the chairman, says it is too early to make a firm forecast, but the board is confident thet results for the full year will be better than last year, wben taxable profits came to £34.07m and sales reached £1.6bn.

Mr Reynolds says that although the bread discount war continues, the investments being made by the group are ahead of plan and the benefits are expected to start coming through in 1984.

He is therefore optimistic for the future and confident of the group's long-term prospects.

While stated half-year earnings per 25p share rose from 5.5p to 6.8p, the net interim dividend is maintained et 1.524p—last year's total payment was 3.857p.

The chairman reports that in the first six months profits from the group's flour milling, grocery and packaged cake businesses increased significantly and there was an encouraging improvement from the agricultural division.

The substantial losses of British Bakeries continue and the overseas division, while achieving creditable performances, was below the high levels of last year as a result primarily of severe competition in the U.S.

At the trading level, group profits edvanced from £37.49m to £44.48m. Rationalisation costs took £1.32m (£996,000) and depreciation and interest a further £11.49m (£11.35m) and £7.04m (£8.29m) respectively. Investment income tumbled from £1.61m to £119,000 and associates' contributions fell by £1.4m to £1.18m.

The tax charge was up from £5.7m to £6.8m and extraordinary debits jumped from £1.65m to £5.43m. After minorities and preference dividends, profits attributable to ordinary bolders were little changed at £13.62m, against £13.66m.

The chairman comments that the group is making considerable progress in most sectors of the business through its investment programme and marketing initiatives. This progress is being achieved against a beckground of static demand and strong competition.

In the UK, previously announced plans to restore the bread making business to profitability are being energetically implemented. A further four loss-making bakeries were closed during the half-year and their production transferred to more efficient units.

Work on replacing the group's Glasgow bakery is at an advanced stage and new plant is being installed in four other bakeries—Leicester, Nottingham, Newcastle and London.

The group's flour-milling business continued to benefit from its long-term development programme, which has now reached Phase 4 of its modernisation investment.

Mr Kipling, the packaged cake business had e good first half and marketing trials of its products in France.

The packaged grocery product busines had a good first half and is test-marketing a number of new products in edvance of national launch plans for the autumn. The processed cheese company is increasing its production capacity to keep pace with growing demand.

In the group's agricultural business a combination of new management, improved products and further investment is beginning to show through in better results.

Ranks (Ireland) in which RHM is the largest shareholder, became unprofitable because of competition from imported flour and closed its two remaining mills in February 1983 to prevent any further losses. The board of Ranks (Ireland) is examining its financial position and will then decide what future there is.

See Lex

Mr Nigel Broackes, chairman of Trafalgar House, at a Press conference yesterday to launch the company's £290m takeover bid for the P & O Group

Parkland 38% ahead

PRE-TAX profits of Parkland Textile (Holdings) increased by over 38 per cent to £730,000 in the year to March 4 1983, compared with £526,000 in the previous year.

Earnings per share rose to 8.4p (5.5p) pre-extraordinary items but the dividend is beld at 3.7p per 25p share by a final of 2.1p.

Turnover of the group, a worsted comber, spinner and manufacturer, improved from £34.24m to £35.56m. The trading surplus amounted to £2.18m, an improvement of £218,000, before depreciation and bank interest totalling £1.45m (£1.43m).

Tax again eccounted for £121,000 but below the line extraordinary debits took much more at £391,000 (£66,000)

In his interim statement Sir Richard Denby, the chairman, said that losses had continued in the worsted spinning division and it bad been necessary to take steps to rationalise the operations of the subsidiary.

ICL recovers strongly to £12.5m at six months

THE RECOVERY experienced by ICL in the second half of 1981-1982 continued through the first six months of the current year and enabled the group to return profits for the period of £12.5m pre-tax. This compares with an interim deficit of £13.5m last year.

However, in line with the priority of rebuilding the group's reserves no interim dividend will be paid.

The directors, beaded by Sir Christopher Laidlaw, the chairman, say they will review the dividend policy in the light of the results achieved for the full year—for 1981-82 a nominal 0.1p was paid when pre-tax profits totalled £23.7m.

They reveal in their interim statement that outside the UK the group made good progress in returning to profitability. This will be further helped by its recent organisational changes, they add.

With e financial position which has been greatly improved by the January rights issue, the directors are confident that the results for the full year will be creditable.

It is pointed out that ICL has made some progress in achieving a better balance between the two half years. However, its ability to epproach last year's second-half profit before tax of £37m will depend on the economic climate, and on the effect of currency movements.

Group turnover for the first six months, covering the period to end-March 1983, rose by £66.1m to £401.2m and at the trading level there was a surplus of £22.7m, compared with a deficit of £0.6m, after depreciation of £30.7m (£22.4m)—the group is engaged in the manufacture and development of computer systems.

Pre-tax figures were struck after deducting £10.2m (£12.9m) for interest charges.

Tax took £2.9m (£3.7m) and after minorities of £0.4m (£0.2m) profits at the attributable level came through at £10m (£17m loss), equal to earnings per share of £2.08p (8.78p loss restated).

The group's networked product line is developing "satisfactorily." Its most important contract for the computerisation of the leading-edge PAYE network is progressing well, and the Inland Revenue has expressed itself "well satisfied with the performance of the mainframe systems."

ICL's important collaboration with Fujitsu on mainframe chip technology, an integral part of its bardware growth path, is on time 18 months after its inception, the directors say.

Distributed systems now account for nearly a third of the group's deliveries, and despatches of these systems in the first half were over 30 per cent higher than in the same period last year.

There was a significant reduction in level of group borrowings, primarily as e result of last January's rights issue.

At March 31 1983, total worldwide borrowings amounted to £59m after deducting cash balances.

Excluding the rights issue proceeds, the level of borrowings was reduced by £17m in last six months. This performance was mainly attributable to continuing emphasis being placed on control of working capital. Despite increased turnover, working capital was at virtually the same level as at September 30 1982.

In April this year the group redeemed the first £20m of its preference shares which were issued in September 1981 as the first step in its financial restructuring.

If borrowings at March 31 1983 were adjusted for that redemption and for the preference dividend, then total group borrowings net of cash balances would have been £86m.

After this adjustment, group gearing (total net borrowings as a proportion of total funds invested in the business) would have been 28 per cent at end of March 1983 compared with 61 per cent in September 1982.

See Lex

Edmond rights

The rights issue launched a month ago by Edmond Holdings (formerly Allied Residential) has met with e poor response from shareholders. Of the 10m shares offered, only 4,163,871 were taken up, the balance being taken up by the underwriters.

KCA profits decrease to £4.4m and final omitted

HIGHER INTEREST charges and reduced exceptional credits were reflected in e fall in pre-tax profits of KCA International from £5.95m to £4.42m for 1982. At half-time, taxable figures were down from £5.19m to £3.72m.

Because of restrictions on distributable profits imposed by the 1981 Companies Act, there is no final dividend. The interim payment of 2.75p therefore compares with the previous year's total of 5.5p. The directors say bowever, that certain reorganisations of the group balance sheet are planned which should provide for the resumption of payments in 1983.

Earnings per 25p share dropped from 6.14p to 2.31p, after tax of £2.72m (£3.18m). Net profits came out et £1.7m, against £3.77m, but these were wiped out by minorities of £840,000 (£543,000) and extraordinary debits of £2.71m (£7.51m credits)—representing the cost of discontinuance of operations and other rationalisation costs (gain on disposal of 25 per cent of KCA Drilling).

Pre-tax figures were struck after interest charges of £5.1m (£2.02m), exceptional credits of £1.35m (£2.96m)—arising on the sale of shares in Berkeley Exploration and Production (surplus on forward exchange contract) and associates losses of £427,000 (£332,000).

Turnover rose by £24.82m to £66.69m.

The directors say that overall, 1982 was a mixed year for the group, but the effect has been to focus on activities which required attention, and the result is a bealthy group with activities having growth and earnings potential.

During the year, tha group's drilling operations continued to prosper, despite adverse market conditions, particularly in North America wbere exploration activity was especially hard hit.

Management accounts for 1983 for KCA Drilling indicate a continuing satisfactory level of trading. Negotiations for the continuity of the contract for the company's drillship "Polly Bristol" are taking place.

The drilling fluids operations bave been encouraging. BW Mud has increased its turnover in the North Sea and South America, and has recently been awarded a major contract to Malaysia. 1982 has however, been an extremely difficult time for the drilling mud industry, and the group has had to face problems in the Middle and Far East, and in the U.S.

● comment

Paul Bristol is back in the chief executive's seats, minus a few directors, after the collapse of his plans to demerge KCA International's residual operations from the main profit makers KCA Drilling and BW Mud. His main task is to reduce borrowings which exceed shareholders' funds of around £37m and caused the passing of the final dividend. His cash raising plans include land sales and a review of all subsidiaries to correct the "up side down" structure of the company where KCA Drilling, 75 per cent owned by KCA International has twice its market capitalisation. It has been a mixed year for the company and prospects are uncertain with the odd encouraging development. BW Mud has had e tough time in the Middle and Far East but recently landed a contract for four platforms offshore Malaysia. Bengal Oil and Gas has proved a drain in exploration costs but drilling of a test well starts in Texas in the next few days which might produce e significant oil find. KCA should also profit from the oil exploration planned offshore China now that its Baryte mill is completed in Guangxi Zhuang province. KCA International slipped 1p to 41p where, on the interim dividend of 2.75p, it yields 9.5 per cent. KCA Drilling was unchanged at 38p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Archimedes Inv. ......int	3.7‖	—	3.7	—	8.4
Hardanger Props. ....int	2.8‡	—	2.8	—	9.8
ICL ....int	nil	—	nil	—	0.1
KCA International	nil	—	2.75	2.75	5.5
Lanca	2.4	—	2.4	2.4	2.4
Nthn American Tst. int.	1.4	—	1.4	—	5.4
Parkland Textile	2.1	July 8	2.1	3.7	3.7
RHM ....int.	1.52	July 15	1.52	—	3.86
J. Sainsbury	3.95	July 22	3.25*	5.85§	4.88*
Stakis ....int.	0.55†	Sept. 8	0.5	—	1.76
TR Property	1.7¶	—	1.55	2.8	3.05

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § For 56 weeks. ¶ Board intend to recommend interim of 1.1p (same) for current year. ‖ Board intend to maintain second interim of 4.7p.

UK COMPANY NEWS

Sainsbury's jumps 20% to pass £100m mark

PROFITS OF supermarket operator, J. Sainsbury, have exceeded £100m for the first time. *In the 52 weeks ended* February 26 1983, pre-tax figures—after profit sharing—climbed by 20.2 per cent from £83.4m to £100.3m, while sales rose 17.6 per cent to £2.29bn, against £1.95bn, including VAT.

The sales increase represents a volume gain of some 10 per cent and a retail net profit margin of 4.43 per cent was close to the best achieved in the past 10 years (4.44 per cent). Retail profits improved 17.2 per cent to £101.5m (£86.6m), associates added £5.4m (£3.5m) while £6.6m (£5.7m) was allocated to profit sharing.

To avoid operational difficulties from progressive shortening of the time between the Christmas trading period and the new financial year, the directors have restored the financial year end to a position in late March.

Figures released for the 56 weeks to March 26 1983 show a pre-tax profit of £106.8m, after deducting £7.2m for profit sharing. Sales reached £2.48bn, while at the after-tax level, there was a surplus of £79m.

Fully taxed earnings per 25p share for the 56 weeks were 15.35p. For 52 weeks, earnings were up 19.1 per cent from an adjusted 11.87p to 14.14p, after tax of £27.4m, against £15.4m.

The dividend for the 56 weeks is effectively raised to 5.85p, against an adjusted 4.875p for the previous year, with a final of 3.95p—the payment date for the final has been maintained as in previous years and not delayed as a consequence of the 56 weeks period.

Sir John Sainsbury, the chairman of J. Sainsbury, which now serves over 5¼m customers per week

The total distribution for the period costs £20.03m (£16.48m) leaving a retained balance of £58.9m, compared with £54.46m.

Sir John Sainsbury, the chairman, states that the company now serves over 5¼m customers per week and their average size of purchase has continued to increase in real terms.

Overall sales per square foot were maintained in real terms at last year's record level, with volume in existing stores continued to increase and new stores opening with higher than expected sales.

During the year, the company opened 17 new supermarkets, adding 325,000 sq ft to its sales area. In the year ahead the company is planning to open 15 new supermarkets with a total sales area of 375,000 sq ft.

The company has enjoyed further growth in market share which it calculates now to exceed 9 per cent of the national expenditure in food shops. In the more limited but much quoted grocery trade market share, Sainsbury's share reach 15 per cent.

In 1982/83 Sainsbury invested £170m, of which £113m was in property, reflecting the predominance in the company's opening programme of properties developed and owned by itself. The rompany has a freehold or long leasehold interest in 15 of the 17 supermarkets opened in 1982-83.

This proportion is higher than in recent years and a relatively modest programme of sale and lease-back (proceeds £20m in 1982-83) has been established in order to restore the balance of the property portfolio, Sir John says.

Referring to Sava Centre, the chairman says this company started trading only six years ago but already its five hypermarkets achieved sales last year of £195m and a profit of £8m—a very satisfactory performance for a company of its age.

Homebase, Sainsbury's home improvement and garden centre subsidiary, has made excellent progress with seven stores trading by the year end. A further 14 stores, including seven this year, are programmed to open by the end of 1984. The forecast made last year that the company would have 20 Homebases trading by 1984 should therefore be met.

Sainsbury has also released figures for the 52 weeks to March 26 1983, as a comparative base for next year's results. Pre-tax profit for this period was £100.7m (after £6.8m profit sharing) on sales of £2.32bn. Earnings per share came out at 14.2p.

On a current cost basis, pre-tax profits for the 58 weeks to March 26 were £97.4m (£89.7m for 52 weeks to February 28 and £71.9m for the previous year).

This year the company is distributing some £7m in shares or cash to 26,000 staff who qualify for its profit sharing scheme. Already through the various company schemes, nearly 10,000 employees, more than one third of its staff with two years' service, have become shareholders.

The expansion of the rompany has resulted in a significant increase in staff. During the last year staff numbers increased by 3,300—more than ona third of them full-time employees.

See Lex

Stakis profit and interim up

FOR THE 26 weeks ended April 3 1983 taxable profits of Stakis rose to £2.32m, an increase of £448,000 over the first half of last year which covered a 27-week period.

With encouraging prospects for the full year the net interim dividend is being increased from 0.5p to 0.55p per 10p share on *enlarged capital—a total of* at least last year's rate of 1.76p on the larger capital was forecast at the AGM in March.

Turnover for the half-year advanced to £46.22m (£43.36m) and at tha trading level profits moved up from £2.75m to £3.01m.

A divisional breakdown of these respectively shows: hotels and inns £18.06m (£16.73m) and £1.42m (£886,000), casinos £7.9m (£7.8m) and £1.36m (£1.51m) and wholesale wines and spirits and off-licences £19.36m (£17.95m) and £228,000 (£361,000).

Asset leasing added £895,000 (£879,000) to the turnover figure.

In their interim report the directors say the opening earlier this month of the new Stakis Regency Club casino in London greatly enhances the prospects of the casino division which already operates 17 provincial casinos throughout the UK.

They add that the hotels and inns division is engaged in an extensive programme of refurbishment in selected steakhouses and public houses with those so far completed showing significantly increased contributians to profits.

The continuing exercise of upgrading standards at hotels and restaurants has been accelerated in view of improving market *trends.*

Tha directors reveal that work will commence shortly on a 40-bedroom extension and sports complex at Coylumbridge and that the second phase of the Highland Lodge time-sharing development, incorporating a further 10 lodges, is scheduled for completion this autumn.

The pursuit of suitable new hotels continues to be a major priority for the group.

Pre-tax profits for the six months under review were struck after deducting £588,000 (£878,000) for interest and asset leasing. Employee share schemes took £97,000 (nil).

Tax accounted for £348,000 (£393,000) and after extraordinary credits of £525,000 last time the balance at the attributable level emerged at £1.98m, compared with £2.01m.

Stated earnings per share on the enlarged capital came through at 3.24p (2.65p). Taxable profits for the 1981/82 year totalled £4.46m.

● comment

Stakis' hotel division was almost entirely responsible for tha group's 24 per cent Increase in interim pre-tax profits. Indeed, the company is so impressed with the results of last year's £1.9m refurbishment programme that it plans to spend well over £2m smartening up hotels and restaurants this year. It also attributes the improvement to the rising number of business travellers tempted out onto the road by an increase in business activity. The same upturn has not filtered through to the casinos, burdened until now by their geographical concentration in the depressed west of Scotland. However, tha new London casino will change that and could make £750,000 in the second half. Some of the proceeds of January's £7.8m rights issue have been used to reduce gearing to a more comfortable 20 per cent. Tha rest is to go on the acquisition of a hotel in London—a rational plan in view of the fact that hotels have traditionally produced the best quality component of Stakis' earnings. The 10 per cent dividend increase is based on optimism over the second half, which could see total profits rise to £5.8m. The shares rose 1p to 80p, where the prospective p/e is more than 20, rather high for the sector.

TR Property edges ahead to £1.59m—pays 2.8p

AFTER ALL charges, including tax of £893,000, compared with £833,000, net revenue of TR Property Investment Trust edged ahead to £1.59m for the year ended March 31 1983, an improvement of £71,000 over the figure of the previous year.

The dividend for the year is reduced from 3.05p to 2.8p per 25p share although the payment represents an increase over the 2.2p forecast last November. Tha directors say they intend to recommend a same-again interim of 1.1p for the current year.

In a statement they say they decided not to proceed too rapidly with the switch in assets as it was considered that the UK equity market would rise at a greater pace than shares in property companies, thus enabling the group to achieve both a higher price for its industrial holdings, and to invest in property shares at higher yialds.

A similar policy was adopted for the U.S., which was further assisted by the movement in exchange rates.

They say this policy enabled them to recommend a 27 per cent increase in tha dividend over the amount originally forecast, and furthermore, having closely examined the present portfolio, they feel confident that this level can at least be maintained for the current year.

Stated earnings per share for 1982-83 amounted to 3.656p (3.492p) and net asset value totalled 128.6p (108.3p) after deducting prior charges at redemption value.

Yearlings up

The coupon rate for this week'a issue of local authority bonds is 10 1/16 per cent, up one sixteenth of a percentage point from last week and compares with 13¾ per cent a year ago.

This is the *first time that* a coupon has been set in sixteenths. According to one dealer this reflects the preference of local government treasurers for par pricing.

The bonds are issued at par and are redeemable on May 30 1984. A full list of issues will be published in tomorrow's edition.

Sweeping changes which altered Woolworth's image

IN HIS first statement as chairman of Woolworth Holdings, the name given to F. W. Woolworth when it was taken over by tha newly-formed Paternoster Stores last November, Mr John Beckett, writes about the major changes that have been made already.

He says the original brilliant retailing concept of Frank Woolworth has become blunted and diluted over the years and progressively less-related to the need of the modern consumer. In short, the company was confused about the market it was trying to meet, and this resulted in a less-than-clear message to its customers.

On assuming control, the new company made a thorough review of its operations, and a number of matters which prompted immediate action soon became apparent.

Mr Beckett then lists five points: Firstly, there was a proliferation of merchandise, and this was often offered at prices which were not competitive. A full scale review was instituted of the merchandise range to eliminate unnecessary lines and an assessment made to ensure prices were more competitive.

Secondly, he says the organisation structure was top heavy. A new structure was introduced and this resulted in a reduction of the size of head office. A substantially improved redundancy package was brought in in order *to help those who lost their jobs* in the re-organisation.

His third point is that stocks were unacceptably high. A programme was commenced to reduce excessive stock, and although it had only 12 weeks of tha financial year remaining, F. W. Woolworth finished the year with stocks £14m lower than in the previous year. This reduction has continued on a year-on-year basis.

Fourthly, two relatively new trading ventures, Shoppers World and 21st Century Shopping, were trading so far below acceptable levels that in the board's judgment they were unlikely to become profitable. Shoppers World, the catalogua trading operation has now been closed.

For his fifth point, Mr Beckett says the board was not satisfied that the property disposal programme started by tha previous board would be consistent with new trading policies. Mr Beckett says all disposals were stopped until its review of the business is complete.

All these actions should show some benefits in the current year, be says.

The company's accounts show that a total of £585,000 compensation was paid for loss of office, but no details are given. Meeting: Ironmongers' Hall, Barbican, EC, June 16, at 11 am.

76 companies wound-up

COMPULSORY winding up orders against 76 rompanies were made by Mr Justice Harman in the High Court.

They were: Carfax Building Co, Fasthourne, Proteus (Publishing), Halesite, Howells and Reavell Transport (European) and Lambert House Properties.

G. Thompson and Sons (Nurseries), Catfield, P and D (Coatings), ACC (Builders) and Metrogable.

Windsor Enterprises, Carnray, Bridgecliffe, Cobalt Blue and Consortium Design Services.

Rovohouse, HDR Associates, Lloyd Sinclair Productions, Realford Peper Company, Tidmarsh Stud and Barnats of Hitchin.

Red Barn Hotel Tandridge, Waterloo Carriage Finance Co, Waterloo Carriage (Holdings), Waterloo Carriage (Sales) and System Fabrications.

Venlindal, Betterware Products, Hurst, Franklin and Co, MK Markating, Stimbrey Investments and Dialmoor.

Hasdene, Clincote, Air Travel Consultants, DJ Tools, The Satay Club, Solidfirm, Plydri and RA Garages.

DJ Plant Hire, Tobias Construction, W. J. J. Downton, Mallet, Godfrey and Mulcahy Productions, Top Grand and Fastlane.

Pick-Quick Services, T. and M. McAuliffe (Plastering and Decoration), Gloveharp, Pro-Motor Exhibition Services and Unwin Transport.

P. J. Clancy Construction, Ashby Scaffold, Disco Fashions, Cablefinch and Chris Ways Transport.

Marnic Contracts, Alan Pond Developments, South Norwood Glazing Company, Python Enterprises and C. J. Pilgrim and Sons.

Dean and Dean Tyres, SL Furs, Upstart Boutiques and Shutter Maintenance (Midlands).

Barrymain, Dalestone, Klempberry, Brian King Plant Hire and Meeres Construction.

Rowcontrol (Wessex), Pak Victoria Food Stores, Image (Fashions) and Ladvale.

A petition against Spence Commercial Investigators (Europe), in which a compulsory order made on April 19 was rescinded, was dismissed by consent.

English & Intl.

Net revenue of the English and International Trust showed a slight improvement at £677,965 for the year ended April 5 1983, compared to £659,692 previously.

The dividend is lifted from 5.75p to 6p net, with a final of 4.5p. The tax charged in arriving at the net profit was £394,886 (£427,357).

At the year end the net asset value per ordinary share had moved up from 149.875p to 210p, after deducting dollar loan and debenture and preference stocks at their nominal values.

During the year a long term loan of U.S.$3m was drawn down under the terms of a facility for the U.S. equivalent of £2m.

NOTICE

Coca-Cola International Finance N.V.

10⅜% Guaranteed Notes Due 1988

Pursuant to the Fiscal and Paying Agency Agreement dated as of December 1, 1982 among Coca-Cola International Finance N.V., a Netherlands Antilles corporation (the "Issuer"), The Coca-Cola Company, a Delaware corporation, as Guarantor, and Morgan Guaranty Trust Company of New York, as Fiscal Agent (the "Agreement"), under which the above-referenced Notes (the "Notes") were issued, notice is hereby given that:

(a) In accordance with the terms of the Agreement, payment of the Final Installment (being 75% of the issue price of the Notes) is due and payable no later than 2:00 p.m. London Time on June 1, 1983 in U.S. Dollars in immediately available funds;

(b) No payment of the Final Installment made after the June 1, 1983 due date will be accepted unless accompanied by a further payment representing interest accrued on the amount of such payment at a rate of 15⅜% per annum from June 1, 1983 to the date on which such payment is received;

(c) On June 16, 1983, the obligation of the Issuer to accept payments of the Final Installment shall cease; and

(d) ON AND AFTER JUNE 16, 1983, IF THE FINAL INSTALLMENT SHALL NOT HAVE BEEN PAID IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT IN RESPECT OF ANY NOTE, THE ISSUER MAY RETAIN THE FIRST INSTALLMENT (BEING 25% OF THE ISSUE PRICE OF THE NOTES) PREVIOUSLY PAID IN RESPECT OF SUCH NOTE AND WILL HAVE NO OBLIGATION TO REPAY SUCH FIRST INSTALLMENT OR TO PAY INTEREST THEREON FOR ANY PERIOD PRIOR TO, INCLUDING, OR SUBSEQUENT TO JUNE 1, 1983.

Arrangements should be made with Morgan Guaranty Trust Company of New York, Brussels Office, as Operator of the Euro-clear System, or CEDEL S.A. in order to assure timely payment of the Final Installment.

By: COCA-COLA INTERNATIONAL FINANCE N.V.

Dated: May 25, 1983

RHM
RANKS HOVIS McDOUGALL PLC

Half-year profit up by £4.9 million

Results

Group profit before taxation for the half-year anded 5 March, 1983 amounted to £25,926,000 compared with £21,044,000 for the corresponding period of tha previous year.

Profits from our flour milling, grocery and packaged cake businesses increased significantly and there was an encouraging increase from the agricultural division. The substantial trading losses of British Bakeries continue and tha overseas division, while achieving creditabla performances, was below the high levels of last yaar as a result primarily of severe competition in tha United States.

Interim Ordinary Dividend

Tha Board has decided to pay on 15 July, 1983 to Ordinary shareholders registered at tha close of business on 16 June, 1983, an interim dividand for tha year to 3 September, 1983, of 1.524 pence per Ordinary share (last year 1.524 pence per share), involving a payment to shareholders of £4,243,000. This dividend, together with the related tax credit of 30/70ths thereof, reprasents 2.177 pence per share (last year 2.177 pence par share).

Outlook

The effects of the continuing severe competition in the bread baking industry are still holding down Group profits before taxation. It is too early to make a firm forecast but we are confident that the results for the full yaar will be batter than last year. The investments we are making in our bread bakary business are ahead of plan and I expect the benefits of these to start coming through in 1984.

P. W. J. Reynolds, Chairman
King Edward House, Windsor, Berks.

Consolidated Profit Statement for the half-year ended 5 March 1983

	Half-year ended 5 March 1983 (Unaudited) £000	Half-year ended 8 March 1982 (Unaudited) £000	Year ended 4 September 1982 £000
Seles to external customers	842,000	833,000	1,598,000
Profit on trading before rationelisation costs and depreciation	44,480	37,490	70,961
Rationalisation costs	1,321	998	3,192
	43,159	36,494	87,789
Depreciation	11,486	11,349	23,112
	31,873	25,145	44,657
Interest	7,043	8,286	18,052
	24,630	16,859	28,805
Investment income	119	1,805	2,964
Associated companies	1,177	2,580	4,502
Profit before taxation	25,928	21,044	34,071
Taxation	6,800	5,700	9,583
	19,126	15,344	24,488
Minority interests	61	107	(88)
	19,187	15,451	24,400
Extraordinary items after tax	(5,426)	(1,647)	(11,085)
	13,761	13,804	13,315
Preference dividend paid	142	142	283
Profit attributable to the Ordinary shareholders of Renk Hovie McDougell PLC	13,619	13,662	13,032
Earnings per Ordinary ahare of 25p	8.8p	5.5p	8.7p

(Based on 278.2 million Ordinary shares ranking for dividend and profit attributable to the Ordinary shareholders before extraordinery items).

BIDS AND DEALS

Wolverhampton offers to raise cash element of bid

BY CHARLES BATCHELOR

Wolverhampton and Dudley Breweries has offered to increase the 315p per share cash element of its £26m bid for Davenports Brewery (Holdings) if this will persuada the Davenports board and Baron Davenports Charity Trust to back its bid.

The announcement on Monday that Whitbread, the London brewer had intervened in the Midlands breweries battla threatened to block the Wolverhampton offer. Whitbread's investment company yesterday increased its *Davenports* holding to 6.85 from 5.68 per cent.

Wolverhampton now controls 39.59 per cent of Davenport's ordinary shares, comprising acceptances of 23.87 per cent and shares which it owns amounting to 15.72 per cent. Its offer closes tomorrow.

Ranged against the bid are the Davenport board, with only 0.3 per cent and more significantly the charity trust with 29.9 per cent.

Exclnding the large charity trust holding and Wolverhampton's own pre-bid stake of 9.48 per cent, a clear majority of the remaining shareholders support the offer, Wolverhampton claimed.

N.M. Rothschild, which is advising Wolverhampton, told Lazard Brother, for Davenport, yesterday that the cash offer could be increased if the Davenport board backed the offer and the charity trust accepted it.

"We hava an amber light for this increase from the Take-over Panel," Rothschild said. "Blocking a bid, as Whitbread bas done, might have been acceptable 20 years ago, but now people are rather displeased at the idea of a manifestly frustrating move like this."

Mr Neville Frost, Davenport's chairman, described the latest Wolverhampton move as: "a last minute and wholly-doomed ploy.

"It appears to be a last minute and, we believe, quite desperate attempt to apply some sort of pressure on the trust. There can be no question of tha board *changing its view*." Wolverhampton said it was withdrawing its offer to buy a limited number of Davenport shares in the market in the light of the Whitbread purchases.

Davenport's shares fell 20p to 315p whila Wolverhampton's shares fell 2p to 294p.

BTR's stake in Tilling rises to 26.7%

BTR, the industrial holdings group mounting a takeover assault on Thomas Tilling, yesterday bought 5.51m Tilling sbares in the market, lifting its stake in the company by about 2 per cent to 26.7 per cent.

While Tilling's shares remained unchanged at 225p, BTR's share price jumped 8p to end the day at 438p. In the terms of the share exchange offer for Tilling (BTR is offering 11 of its own shares for every 20 Tilling) yesterday's increase in BTR's share value raises the value of the equity offer to equlty offer to £698.4m.

Just a week ago, BTR raised its offer for the health care, construction materials, engineering and publishing group from just under £600m.

Tilling has from tha outset fiercely resisted the BTR approach, describing it as "derisory and rather lower than expected."

Yesterday brokers Fielding Newson-Smith estimated that the break-up value of Tilling might be higher than £1bn, even after taking into account the company'a £300m borrowings.

But the chances of such a break-up were radically reduced yesterday with BTR's stake passing the 25 per cent mark. Tilling would need the backing of 75 per cent of shareholders to implement such a plan. The company's final defence document is expected any day.

S.P. SUPPORT

Vancouver-based Sydney Development Corporation has acquired S.P. Support, a private UK company which develops minicomputer and microcomputer packages, in a share exchange deal worth over C$2m.

Fitch Lovell sees profits 'significantly ahead'

BY DAVID DODWELL

Fitch Lovell, the food manufacturing and distribution group, yesterday predicted profits for the financial year just ended "very significantly ahead" of the previous year's £10.3m.

In a circular to shareholders explaining the company's agreement with Linfood on the sale for £40.8m of its Keymarkets supermarket chain, chairman Mr Michael Webster attributed the strong advance to "excellent performances" of Fitch's manufacturing and wholesale divisions.

Fitch's shares jumped 5p to end the day at 138p following tha announcement. Linfood improved 4p to close at 300p.

Mr Webster could not disclose tha exact results, for the year that ended on April 30 but said they justied a considerable increase in dividends. The board plans to recommend a final if 5.83p net, making the total for the year 8p—a 46 per cent increase on last year's dividend.

Mr Webster said the £40.8m to be paid for Key Markets comprises £36m for the purchase of shares and reserves, and a further £4.8m in repayment of inter-company loans and payment of a dividend and management charge.

The deal has to be approved by shareholders of both Fitch and Linfood. Extraordinary meetings bave been called, and coincide on June 10.

Reed Intnl. U.S. purchase

Reed International, the publishing group, has acquired Fitcher Medical Publications in the U.S. for an undisclosed sum.

The purchase is complementary to the acquisition in November last year of Update Group, a UK publisher of medical journals, Reed said yesterday.

Other major purchases in tha past six months were Clapp and Poliak, a U.S.-based exhibition company, and a 60 per cent stake in Industrial and Trade Fairs Holdings of the UK. Reed now organises an averaga of three exhibitions a week worldwide, the company said.

The four deals together represent an investment of £25m, and are part of a "strategy of maintaining (Reed's) leading position in the growth areas of publishing and communications worldwide."

Fischer's main publication is Emargency Medicine, though it publishes journals for both specialist and general practitioners. In the year ended September 1981 it reported turnover of $8.7m.

WADDINGTON 'NO' TO NORTON & WRIGHT

John Waddington the Monopoly and Cluedo group, announced yesterday that baving met with the chairman and chief executiva of Norton & Wright Group, the directors consider tha £10.7m takeover offer to be "opportunistic and without merit."

Accordingly, they advise sbareholders to take no action and will be writing to give their reasons for rejecting the offer after the formal offer has been rejected.

RECEIVER FOR SPECTRON OPTICAL

Mr Brian Larkins, of Price Waterhouse, has been appointed Receiver of Spectron Optical Holdings, a subsidiary of London Trust.

BEAZER/SECOND CITY

Following the merger between C. H. Beazer (Holdings) and Second City Properties, it has been decided to combine the property development activities of both companies into C. H. Beazer (Commercial & Industrial). The property investment interests of both companies are being controlled by Second City Propetries.

It is intended that the anlarged development company will substantially increasa its property development and refurbishment activities.

PENTLAND INDUSTRIES

Pentland Industries bas decided not to proceed with the acquisition of 75 per cent of the equity of Alta Group. It bas, however agreed that tha Alta Group will work together with Pentland's overseas subsidiaries to sell their footwear products in the U.S.

BLUE CIRCLE

Blue Circle Industries has completed tha purchase from Martin Marietta Corporation of three dry process cement plants in Alabama, Georgia and Oklahoma, together with a lime plant and seven depots, for $103m (£66m).

GLOVER AND MAIN

Thorn EMI says that in respect of its offer to acquire the 210,000 6 per cent cumulative preference shares of £1 each of Glover and Main, which it does not already own, it had received valid acceptances in respect of 185,860 shares (89.63 per cent) by 3 pm on May 23.

The offer has not been declared unconditional as to acceptances and has been extended until 3 pm on June 7.

JAMES NEILL

Shareholders of James Neill Holdings were told at the AGM that sales during the first five months of tha current year were 10 per cent higher than for the same period last year. If this trend continued the company expected to make a "modest" profit and said an appropriate distribution would be recommended.

TRANSCONTINENTAL SERVICES OFFER

The offer by Transcontinental Services Group for Le Fonds Deltec International bad received acceptances in respect of 293,966 shares (98 per cent) by May 20, 1983, the closing date for the offer. Elections were received for the accompanying cash alternative in respect of 292,966 of these shares.

In accordance with their tarms, the offer and the cash alternative are now closed for acceptance. The offer has become wholly unconditional.

SYSTIME COMPLETES ITS RESTRUCTURING

Systime has completed its financial restructuring whereby Control Data will become a substantial minority shareholder in the company.

Undar the restructuring, Systime has received a major injection of £13.8m of new ordinary share capital, including £8m from Control Data, with the balance being invested by Ivory and Sime (representing institutional clients), Kleinwort Benson, County Bank and NCB Pension Funds. In addition, £3.4m of new convertible preference share capital bas been subscribed. Overell, Cootrol Data will be the largest shareholder with approximataly 40 per cent.

All the existing and new sharebolders stressed that Systime will *retain* its independence. It is intended that a listing of the company's shares will be sought in due course.

LADBROKE INDEX
697-702 (+7)
based on FT Index
Tel: 01-493 5261

MINING NEWS

Price caution at Gold Fields

BY KENNETH MARSTON, MINING EDITOR

"WE ARE as puzzled as everybody else," said Louise du Boulay, respected author of "Gold 1983" at yesterday's launch of this authoritative and comprehensive annual review of tha gold market published by Consolidated Gold Fields.

This frank reply came to the inevitable question in many minds: "What are your views on the course of the gold price for the rest of this year?" At present it is marking time at around $436 per troy ounce.

Many observers believe that it is consolidating prior to a fresh move forward to $500 or so by the end of the year; others are not so sure and wonder why it is keeping up in the notable absence of demand, neither from the investment bulls or from the jewellers.

The fact is, as Gold 1983 points out, that investor sentiment in gold is bewildered by a number of conflicting factors. On the one hand, those looking for a higher price point to hopes of a fall in the value of the U.S. dollar and in interest rates, fears of inflation resulting from government attempts to boost the economic recovery and the continuing concern for the world's financial system.

On the other hand, the bears look at tha current falling rate of inflation and the continuing strength of the dollar and high real interest rates. They thus feel that there are better investment opportunities elsewhere.

Gold 1983 takes the view that the lack of physical demand for gold "must indicate caution" and sees little reason for a sharp run-up in the price in the near term. It could even go lower, being influenced first one way and then the other, until its direction is dictated by firm developments on tha economic and financial fronts.

revival of investment buying would easily mop up any surplus gold. But, "the picture remains as confused as it has been for tha past six months and, in tha meantime, the market rests firmly in the hands of the speculators."

Last year the price of gold in U.S. dollars opened at $395 and, continuing the decline which had persisted throughout 1981, it fell to a trough of $296 in June. Thereafater it embarked on a strong recovery, triggered by fears of an international banking crisis arising out of the financial problems of soma Third World and Eastern bloc countries.

As a result, the price ended 1982 at $448, to leave an average for the year of $375. This compared with $460 in 1981 and the record $612 in 1980 when, at one time, the price hit an all-time high of $850.

Gold 1983 puts the total bullion supply to the non-communist world in 1982 at 1,122 tonnes compared with 975 tonnes in 1981. Non-communist mine production rose by 147 tonnes to 1,013 tonnes, the first time it has exceeded 1,000 tonnes since 1973. Of this South Africa contributed 664.3 tonnes against 657.6 tonnes in 1981.

The accompanying table taken from Gold 1983 details the mine production picture. It does not include Soviet bloc output which is believed to be running at an annual rate of about 300 tonnes.

Soviet sales to the west last year are estimated at 207 tonnes (compared with 189 tonnes in 1981) and this, less 98 tonnes purchased by central banks and other monetary agencies, leaves the total supply figure of 1,122 tonnes.

Non-Communist World Gold Output (tonnes)

	1982	1981	1980
South Africa	664.3	657.6	675.1
Canada	62.5	53.0	50.8
United States	43.5	42.6	30.2
Ghana	12.0	11.6	10.8
Zimbabwe	13.4	11.6	11.4
Other	15.0	12.0	8.0
Zaire	4.2	3.2	3.0
Brazil	34.8	35.0	35.0
Colombia	15.8	17.7	17.0
Dominican Rep.	11.8	12.6	11.5
Chile	18.9	12.2	6.6
Other	9.0	8.1	6.9
Peru	7.2	7.2	5.0
Mexico	5.2	5.0	5.9
Nicaragua	2.9	1.8	1.5
India	2.2	2.5	2.6
Philippines	26.0	24.9	22.0
Japan	3.8	3.5	4.2
Other	3.6	3.8	3.0
Europe	10.8	8.5	8.6
Papua/New Guinea	17.8	17.2	14.9
Australia	27.4	18.4	17.0
Other	1.2	1.1	1.0
Total	1012.8	971.1	960.1

On the demand side, the total fabrication of new gold into jewellery, coins and industrial products increased by only 38 tonnes to 1,069 tonnes. This demand was checked in tha second half of the year by tha sharp rise in the price brought about by speculative buying.

However, the latter factor was reflected in increased buying of a record 294 tonnes of gold in the form of bars for hoarding. This, together with the gold bought for fabrication, exceeded the year's supply by 242 tonnes and 1982 became the second year in which net investment holdings were reduced to supply these demands.

It is thought that there will be a small surplus of gold supply over demand this year. Mine production is expected to again increase by a small tonnage and the probability is that Soviet bloc sales will be increased to compensate for a fall in oil revenues.

So far, however, the Soviets have been in no hurry to sell bullion. This could mean either that their balance of payment position is better than has been thought, or that they are waiting *in the hope of getting higher* prices later in the year.

Meanwhile, the Soviets have become active traders in tha bullion markets—they are no longer merely sellers. This is also true of China which remains a relatively small gold producer with an annual output believed to be around 40-50 tonnes.

MMC sharply lower

DEPRESSED METAL prices and the severe export controls imposed under the sixth International Tin Agreement have brought about the expected sharp fall in profits of Malaysia Mining Carporation (MMC), the country's biggest tin prodncer.

Attributable profits for the year to January 31 1983, were M$39.13m (£10.9m), after an extraordinary gain of M$12.3m, arising largely from the sale by the wholly-owned subsidiary Southern Malayan Tin Dredging of its shares in MMC, reports Wong Sulong in Kuala Lumpur.

This compares with M$377.32m for the seven months ended January 31 1982, after extraordinary gains of M$334.2m from the sale of certain shareholdings following the merger with Malayan Tin Dredging.

Earnings per share came out at 7 cents, against 10 cents in the previous period, and the final dividend is 4 cents for a total of 11 cents for the year. This compares with a 7-cent total in the previons seven-month period.

The export controls meant that MMC had to close seven of its 38 dredges, and tin production was only 35 per cent of a normal year's output.

Closing stocks of tin concentrate held by the group hava been valued at production cost. Operating profits would have been about M$15m higher if tha valuation had been based on the prices subsequently realised.

MMC continued to diversify away from its dependence on tin mining during tha year. It has achieved a considerable expansinn in the engineering division, with a view to participating in the opportunities provided by the growing oil and gas industry.

In addition, the government has appointed MMC as the country's sole buying agent for coal, with imports of 2.5m tonnes

SHARE STAKES

Belgrave (Blackheath):—Tha following disposals of ordinary shares took place on May 11—Mr M. C. H. Pittaway 40,000 shares, Mr K. Hill 750 shares, Mr M. Moffett 10,000 shares and Godred Ltd 20,000 shares. After these disposals, Mr Pittaway retains an interest in 80,000 shares (2.67 per cent) and Godred retains an interest in 180,000 shares (6.0 per cent).

Lamont Haldings:—Mr Hugh T. O'Neill, a director, *has* acquired 138,750 ordinary shares, and 150,000 in respect of his spouse.

Centreway Trust:—Mr M. J. Wigley and associates have sold 45,000 ordinary shares.

Amalgamated Distilled Products:—Globe Investment Trust has reduced its percentage holding from 10.03 per cent to 9.34 per cent.

Walker and Homer:—Mr D. G. Johnston, a director, has purchased 86,720 ordinary shares.

Fitch and Co—Directors R. *Baker, J. Bampton*, A. Mackinnon and C. Tweddell acquired 20,000, 15,000, 20,000 and 27,000 shares respectively.

UK COMPANY NEWS

Powell Duffryn rights and U.S. deal

DIVERSIFIED INDUSTRIAL holding group Powell Duffryn is turning to its shareholders for a £14.9m cash injection to coincide with a $22m (£13m) acquisition in the U.S.

Powell Duffryn is launching a one-for-four rights issue at 190p a share raising £14.3m after expenses. In the States the group has agreed to purchase a private fire protection equipment manufacturer, Hiller Investments, for $20m in cash on completion with a further payment of $2m in a year's time.

Along with the rights and acquisition the British group has produced estimated results for the year ended March 31, 1983. These show a marginal increase in pre-tax profits from £12.5m to £12.9m, despite a surprisingly poor performance from its engineering operations where trading profits collapsed from £3.8m to £0.2m after a half-time profit of just under £1m.

The final dividend is being held at 9.55p for an unchanged total of 14.25p for the year.

Over the year to March, net group borrowings have crept up from just under £50m to £62m while shareholders' funds have barely changed at £113m. Since the year end, debt has increased even further and the rights issue is being launched to bring the company's capital gearing back below 50 per cent. The U.S. purchase is initially being funded with short term U.S. borrowing and with assets of only $6m it will involve an immediate goodwill write-off.

Powell Duffryn has been spending heavily in recent years. In the last five years some £120m has gone towards capital items, £84m of that overseas, and borrowings have increased by around £50m. Mr David Hubbard, group finance director, said yesterday that the directors were "looking towards a conservation of resources and to get the assets to work for themselves."

Expanding further on the U.S. purchase, Powell Duffryn says that Hiller's main area of operation is the Gulf States of the U.S., primarily in the marine market of fire protection equipment. It also serves the east and west coasts and has recently extended its services overseas. In 1982-83 Hiller's sales were $22.6m and pre-tax profits amounted to $3.3m. Owing to the British group's unrelieved tax losses in the U.S. it does not expect to pay tax on Hiller's future profits for at least two years.

Powell Duffryn's £12.9m estimate of 1982-83 pre-tax profits is struck after a £1m rise in interest costs to £7.6m, but includes a sharp increase in profits on asset disposals from £0.4m to £1.6m.

The group blames the virtual disappearance of its engineering profits on National Pump and Hamworthy Engineering. National Pump has been seriously hit by the deepening recession in the U.S. agricultural market, while at Hamworthy, a sharp decline in demand since the early summer has resulted in a significant drop in profits. Hamworthy will undergo surgery this year and the group is writing off £2.6m of extraordinary items against its 1982-83 results in anticipation. In total, extraordinary charges are £3.1m against £0.5m.

Elsewhere the profits breakdown shows the shipping division earned £4.1m (£3.7m), bulk liquid storage £4.8m (£4.3m), UK fuel distribution £6.9m (£6.3m) and construction services £4.5m (£0.9m).

The directors are not offering a forecast for the current year although they say that they believe "there are grounds for cautious optimism."

They do intend to at least maintain the rate of dividend of 14.25p per share on the enlarged capital.

The rights issue has been underwritten by S. G. Warburg and brokers are Hoare Govett.

● comment

The market has taken a fairly relaxed view of Powell Duffryn's steadily rising borrowing ratios in recent years but another chunk of dollar debt, which could have lifted capital gearing to near three-quarters, might well have caused pause for thought. Hence the rights issue which more or less equates to the Hiller purchase price. The acquisition fits in with the group's gradual build-up of overseas interests — now amounting to a third of assets—while fire protection equipment, incidentally a growth area in the States, loosely fits into the existing product and customer base. It all looks perfectly logical and acceptable. The only cloud to darken Powell's sky yesterday was the news that its engineering division had dropped into a loss in the closing six months. That was worse than the market had anticipated, but at least the management is getting to grips with Hamworthy. Recovery at National Pump could be more elusive, for U.S. farmers show few signs of bringing out their cheque books. Despite earlier hopes it now looks as if this year will not see the group breaking free of its profits plateau but with an ex rights yield of 9 per cent at 236p the shares are in little danger.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Avon Rubber, Bass, J. A. Devenish, General Stockholders' Investment Trust, International Thomson, Kelsey Industries, Marler Estates, Tate and Lyle.

Finals—Allied Irish Banks, Boots, Capital and Counties, Cater Allen, Channel Tunnel Investments, Foster Brothers Clothing, Jonfar, London and Northern, M & G Second Dual Trust, Merrydown Wine, Minster Assets, Monks Investment Trust, Morland, Sandhurst Marketing, Tronoh Mines Malaysia, Wettern Brothers.

FUTURE DATES

Interims:—	
Eurotherm International	July 19
Heavitree Brewery	May 26
Hickson International	June 2
Johnson and Firth Brown	June 3
Lee (Arthur)	June 23
Leeds Group	June 1
Martin The Newsagent	June 6
Finals:—	
Bishop's Group	June 2
Edbro	May 27
Electric and Gen. Investment	June 23
TR Industrial and Gen. Trust	May 27
UBM	June 2

Framlington places 250,000 shares on USM

BY WILLIAM DAWKINS

Framlington is to become the first unit trust management company to be quoted on the Unlisted Securities Market, by way of a placing of 250,000 shares at 400p each, representing 12.5 per cent of the group's equity capital. At the placing price, Framlington is capitalised at £8m.

Since its foundation in 1969 by partners of Laurence Prust, the stockbrokers, its funds under management have grown continually to £151.1m, an estimated 1.41 per cent of the industry's total.

Pre-tax profits for the year to June 30 are forecast at £1.1m, against the previous year's £451,000, which was made on sales of £25.45m.

The directors expect to recommend an annual dividend of 6.5p per ordinary share, at which the placing price would yield 2.3 per cent. After expenses, the total amount of new capital being raised by the company amounts to £608,280, with the balance consisting of shares being sold by existing shareholders.

Following the placing, partners of Laurence Prust will retain 72 per cent of the shares and London Merchant Securities, which has long been a shareholder in Framlington, will hold 12.5 per cent of the equity.

Framlington manages nine unit trusts, the most recent of which is its Overseas Income and Growth Fund, its first offshore fund, which was launched earlier this month.

The placing is designed to assist the group in its plans to widen its range of products to include self employed pension contracts, linked to units in its own trusts. To do this, Framlington is setting up a life insurance subsidiary, which by law requires a minimum initial equity base of about £500,000, which will be provided from the proceeds of the placing.

Brokers to the placing are Laurence Prust, with Rowe and Pitman acting as advisory brokers. Dealings in the shares are expected to start on June 1.

● comment

With more than £150m under management, Framlington is now looking for ways to attract further business. The group is not exactly starved of cash, but its arrival on the USM will give it valuable flexibility, particularly in planning its approach to the self-employed pensions market. The company is unusual in that it does not pay intermediaries the customary 1½ per cent "marketing allowance"—a policy which reduces the risk of sudden large redemptions of units and allows the group to keep its own management charge ¼ per cent below the going rate. However, Framlington admits that the perception of this benefit has yet to flow through fully to small investors. The sales rise it is forecasting this year is more based on the effect of the buoyancy of UK and U.S. stockmarkets on turnover. But around 30 per cent of the current year's profits will also come from profits on holding new units between the dates of their creation and sale. Framlington says this occurred during a period of exceptionally sharp equity price rises in the second and third quarters. Normally cautious over creating new units, the company keeps this figure to around 10 per cent of the pre-tax total in quieter years.

Laurence Gould placing on USM

By Alison Hogan

AGRICULTURAL CONSULTANT Laurence Gould is placing 340,000 ordinary shares at 120p per share on the Unlisted Securities Market through stockbrokers Foster & Braithwaite.

The placing which represents 16.4 per cent of the increased issued share capital will raise £400,000 of new money to provide funds for expansion

In 1978, Laurence Gould increased its issued share capital by 29.5 per cent.

The company has more than doubled its turnover since 1978 to £2.91m in 1982 and virtually doubled pre-tax profits which rose in the same period from £133,000 to £265,000.

Laurence Gould is capitalised at £2.48m at the placing price. It has forecast a net dividend per share of 2.975p which puts it on a yield of 3.5 per cent. The company says it is selling at the placing price on an historic p/e of 12 on the actual tax charge.

After the placing, directors will be interested in 42.2 per cent of the issued share capital, employees will hold 7.1 per cent and shareholders the remaining 50.7 per cent.

● comment

The world of development consultancy is a competitive one, fraught with the problems of subsidised goverment agencies, and political uncertainty but Laurence Gould has established a firm position in the agricultural consultancy business, with contracts from the UK to the Far East. Through a cautious assessment of risks and the quality of currencies, and a high degree of front-end loading, it has managed to escape any serious losses on contracts. It saw a setback to its moderate profit growth in 1980 which it attributes to the sudden cut back in the UK Government's bilateral aid programme and strong sterling. Profits have a certain cyclical tendency because of the time lag between winning contracts, undertaking project costs and receiving payment. Since 1980, the company has lessened its reliance on the Government's Overseas Development Agency and broadened its client base. The chairman Laurence Gould said in his annual report that there is an improvement in the farming market and overseas and the company has a strong order book with approximately 75 per cent of its work sold forward. This is not a USM stock to buy for quick and dramatic profits but is likely to continue the growth pattern of the last few years.

APPOINTMENTS

Senior post at Thorn EMI

Mr Barry Dodd has been appointed finance and commercial director of THORN EMI information technology division from July 1. He is finance director of THORN EMI domestic appliances.

★

Mr David M. Bullough, managing director of Unigate Meat Holdings, has been appointed to the board of UNIGATE from June 1. Mr Bullough joined the Unigate Group in November 1981 from Aladdin Industries where he was managing director.

★

After an absence of 18 months, Mr David Cooper returns to ANDREWS INDUSTRIAL EQUIPMENT to accept a main board appointment as group marketing services director. Prior to his return to Andrews, he was marketing services manager for the Studio Press Print Group in Birmingham.

★

Mr Colin Hope of Dunlop has become president of the BRITISH RUBBER MANUFACTURERS' ASSOCIATION. He was appointed to the board of Dunlop Holdings in 1982. He succeeds Mr W. D. T. Tapley of BTR who has been president for the past two years.

★

Mr Paul Bloomfield has joined the board of DEWEY WARREN AND CO, Lloyd's insurance brokers, as a director responsible for all direct casualty and property business emanating from North America.

★

Mr Jeremy Beasley has been appointed chairman of EXPAMET INTERNATIONAL in succession to Mr Stanley Field who becomes a non-executive director. Mr Beasley currently chairman of Press BAT Holdings has been a director of Expamet International since 1979 when BAT became part of the Expamet group alongside The Expanded Metal Co.

★

Mr George Squair, deputy chairman of the SOUTHERN ELECTRICITY BOARD for the past five years, is to be Seeboard's chairman following the retirement of Mr Robert Peddie on June 1. Mr Squair was engineer, district manager and area manager before becoming an executive member of the board in 1976. He was appointed deputy chairman in 1978.

★

Two senior appointments have been made by the London based International Group of A L L E G H E N Y INTERNATIONAL INC of Pittsburgh. The group has appointed Mr A. J. McCann president and managing director of Sunbeam Appliance International and Dr A. B. Gozzard to be director of human resources for the International Group. Mr McCann, who was previously with Black and Decker as executive vice president responsible for international business, will manage all Sunbeam operations outside the U.S. and Canada. Dr Gozzard, who was managing director of Chloride Egypt, will be responsible for the personnel function throughout the International Group.

★

Mr N. E. Richards, managing director of the newspaper division, has been appointed sole managing director of ELECTRICAL PRESS and chairman of Burlington Publishing Company.

★

Sir Jasper Hollom has been elected president of the COUNCIL OF FOREIGN BONDHOLDERS in succession to Lord Trevelyan, who has resigned. Sir Jasper has also succeeded Lord Trevelyan as chairman of the Chinese Bondholders' Committee and of the League Loans Committee (London). Mr F. L. Hall, an adviser, Bank of England, has been elected a member of the Council of Foreign Bondholders in succession to Mr P. J. Bull, who has resigned. Mr Hall has also succeeded Mr Bull as secretary of the League Loans Committee (London). The British Bankers' Association has appointed Mr H. R. Hutton a member of the Council of Foreign Bondholders to replace Mr D. K. Anslow. Mr Hutton is director-general of the Accepting Houses Committee. Mr D. K. Anslow has been elected a member of the Council of Foreign Bondholders.

★

Mr Lawrence de V. Wragg has been appointed deputy chairman of CHARTERHOUSE JAPHET (JERSEY).

★

J. H. MINET AND COMPANY has made the following appointments to the board from June 1: Mr B. Beamish, Mr P. Boston, Mr M. J. Burch, Mr S. H. Gilbert, Mr N. A. Glenister, Mr P. J. Mill and Mr A. M. Pittaway. An executive committee has been formed of the joint deputy chairmen, Mr J. T. Gore and Mr B. J. Hayes, and newly appointed senior executive directors, Mr M. B. Brooks, Mr C. R. Dixey and Mr P. H. Foster and finance director, Mr M. R. Lawrance.

★

Having regard to the reduction in the percentage shareholding in EDMOND HOLDINGS of Thames Investments and Securities, Mr J. Benjamin has resigned as a director of Edmond Holdings.

★

HAWKER SIDDELEY made the following appointments: Mr G. Oldroyd to the board of Brook Motors, Huddersfield. Mr J. G. Brook and Mr A. Parkin to the board of Hawker Siddeley Electric Motors marketing organisation for overseas sales of Brook Crompton Parkinson Motors. Mr Brook and Mr Parkin are marketing managers (home and export) for the small industrial motor and small motors divisions of Brook Crompton Parkinson Motors respectively. Mr H. B. Mead becomes works director of Brush Transformers, Loughborough. Mr P. S. Maguire is made managing director of Crompton Electricars, Tredegar, manufacturer of battery electric road vehicles.

★

Mr J. George Chapman and Mr Bob E. Ward have joined the board of PEARCE GROUP HOLDINGS, parent of the Pearce Signs Group.

★

Mr Marshall Thew, managing director of Thew's of Liverpool, has been elected president of the GUILD OF ARCHITECTURAL IRONMONGERS.

★

The board of LINREAD is being reorganised with Mr MICHAEL HUGHES joining on June 1 as chief executive with overall operational responsibility in the UK and overseas. Mr David H. Probert, chief executive of the W. Canning Group, joins as a non-executive director. Mr Alan H. Lynall remains chairman, but he and Mr Donald G. Lynall, who also remains on the board, relinquish their positions as joint group managing directors.

★

Mr K. Gardiner of the Coalite Group has been appointed chairman of the COAL INDUSTRY SOCIETY and Mr J. M. Hann of the National Coal Board has become vice-chairman.

★

CONCENTRIC CONTROLS has appointed Mr Robert James as managing director. He was director and general manager of Alexander Controls, another Concentric group subsidiary.

★

AIR SEYCHELLES has appointed Mr Martin Harewood as vice-president, Europe, from June 1. He is currently British Caledonian's general sales manager market development, and will be seconded to Air Seychelles for an initial period of two years as part of a major co-operation agreement signed between the airlines earlier this month. Mr Harewood will be based in London.

★

Following flotation of FRAMLINGTON GROUP on the Unlisted Securities Market there has been a restructuring of its board. Mr W. R. Stuttaford is chairman. Mr A. B. Milford is an investment director. Mr T. P. F. Miller is appointed managing director. Mr T. E. W. Locke is appointed finance director. Mr R. F. J. Spier of London Merchant Securities joins the board as a non-executive director. Mr D. Stalham joins the board of Framlington Administration Services.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Authorised Units—continued

Offshore and Overseas—continued

Insurances—continued

LONDON TRADED OPTIONS

Option	Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Brit. Petroleum (*386)						
300	94	102	—	2	3	—
330	64	72	—	4	8	—
360	44	54	62	11	16	24
390	28	38	48	22	30	38
420	14	24	—	46	60	—
Cons. Goldfields (*569)						
460	100	127	—	3	7	—
500	87	25	106	7	18	23
550	42	62	77	20	35	40
600	21	37	52	47	64	62
Courtaulds (*90)						
66	26	22	—	1	1½	—
76	13	20	22	1	3	4
86	9	13	16	4	6	2
86	6	8	11	10	13	15
Commercial Union (*163)						
120	47	42	—	1½	1½	—
130	37	30	—	0	3	—
140	27	32	37	2½	3	7
160	14	10	24	0	12	13
180	6	10	16	21	24	26
G.E.C. (*018)						
180	50	58	—	2	8	—
300	34	40	50	6	10	14
220	20	30	38	14	22	06
240	11	20	28	24	30	34
260	6	—	—	42	—	—
Grand Met. (*307)						
280	64	—	—	3	—	—
300	45	52	62	5	7	10
330	28	37	45	13	17	12
360	16	24	31	08	02	34
390	7	13	—	55	56	—
I.C.I. (*470)						
330	150	—	—	2	—	—
360	100	124	—	3	4	—
390	92	88	—	3	7	—
420	66	74	84	7	14	18
460	40	50	60	18	26	30
500	14	08	38	38	46	52
Land Securities (*314)						
260	65	62	—	2	—	—
280	35	43	—	3	7	—
300	10	08	38	8	13	18
030	8	16	26	23	30	33
Marks & Spencer (*201)						
180	28	36	—	4	7	—
200	17	24	30	0	10	16
020	0	13	90	21	26	27
240	3	—	—	40	—	—
Shell Transport (*310)						
390	128	134	—	1½	2	—
420	98	106	—	2	5	—
460	60	70	90	5	10	14
500	32	44	56	18	26	32
550	12	20	—	50	58	—

Option	Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Barclays Bank (*476)						
360	128	—	—	2	—	—
390	08	—	—	2	—	—
420	70	85	—	7	10	—
460	38	33	75	17	23	35
500	18	32	45	35	45	65
Imperial Group (*113)						
110	14	12	20	3	7	8
120	7	0½	12	2	13	18
100	3½	5	—	17	18	—
LASMO (*280)						
210	85	93	—	3	4	—
230	35	78	—	3	2	—
230	63	60	—	12	22	—
270	43	55	—	23	35	—
280	—	—	58	—	—	38
290	30	—	—	37	—	—
300	—	33	43	—	48	53
320	18	—	—	57	—	—
330	—	23	—	—	63	—
Lonrho (*93)						
80	17	10	—	8	3	—
90	2½	11	14	3	7½	8½
100	4¼	3	8	11	13	16
P. & O. (*217)						
110	113	—	—	2	—	—
190	105	100	—	0	1	—
130	25	08	—	0	0	—
140	85	88	—	2	3	—
160	65	38	—	2	3	—
180	47	40	50	8	10	10
200	02	35	32	12	13	18
220	01	26	30	20	24	28
Racal (*421)						
420	22	107	—	4	11	—
460	62	77	95	13	22	34
500	42	37	70	30	40	83
550	20	—	—	63	—	—
600	7	—	—	115	—	—
R.T.Z. (*584)						
390	—	—	—	—	—	—
420	182	—	—	—	—	—
460	142	—	—	0	—	—
500	103	125	—	6	10	—
550	72	87	100	15	25	30
600	38	57	68	37	47	67
Vaal Reefs (*123)						
90	33	37	—	1	3½	—
100	26	30	—	3	6½	—
110	20	24	—	8	9½	—
190	14½	10½	23¼	10	14½	16½
130	8	15	18½	15½	10½	22
140	4½	10½	—	—	—	—

Option	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
Beecham (*388)						
360	40	55	35	2	14	18
390	20	40	48	18	25	32
420	2	23	33	37	42	47
Guest Keen (*160)						
135	30	38	59	2	5	8
133	13	23	28	7	11	13
173	3½	11	13	18	23	25

May 24 Total Contracts 1,963 Calls 1,490 Puts 473

* Underlying security price.

*

International Arts Guide

The Financial Times International Edition publishes a comprehensive guide to all major artistic functions in Europe and North America every Friday.

The latest productions in the visual and performing arts are listed while Financial Times critics offer topical reviews of the most recent cinema premieres in London.

The guide also appears in extended form daily with particular emphasis on music (Monday), opera and ballet (Tuesday), theatre (Wednesday) and exhibitions (Thursday).

*

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
329 Kingsway, London, WC2B 6NF 01-404 0393

'Asset Builder'	62.4	66.2		—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mngr April 29	58.2	62.1		—
MMFlexible April 6	50.3	53.0		—
Fixed Interest April 29	53.4	56.3		—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	271.3	—	-0.9	—
Invest. Tst. Fd. Acc.	282.8	—	-0.9	9.9
Property Fund Cap.	117.4	—	...	—
Property Fund Acc.	122.2	—	—	3.7
Flexible Fund Cap.	176.0	—	-0.3	—
Flexible Fund Acc.	183.1	—	-0.3	3.3
Fixed Int. Fd. Cap.	137.2	—	—	—
Fixed Int. Fd. Acc.	143.0	—	—	—
Gtd. Deposit Fd. Cap.	137.1	—	—	—
Gtd. Deposit Fd. Acc.	142.4	—	+0.1	—
Equity Fund Cap.	136.5	—	-0.3	—
Equity Fund Acc.	141.7	—	-0.3	—
International Fd. Cap.	136.5	—	+0.7	—
International Fd. Acc.	141.5	—	+0.7	—
Capital Gwth. Fd.	401.6	—	+1.5	—
Moneymaker Fund	161.1	—	-0.3	—
Exempt Inv Tst Cap.	379.0	—	-1.4	—
Exempt Inv Tst Acc.	387.4	—	-1.4	—
Exempt Inv Tst NS.	386.2	—	-1.4	6.0
Exempt Ppty Cap.	185.6	—	+0.1	—
Exempt Ppty Acc.	189.3	—	+0.1	—
Exempt Ppty NS	188.7	—	+0.1	2.9
Exempt Flex Cap.	234.4	—	-0.3	—
Exempt Flex Acc.	239.1	—	-0.3	—
Exempt Flex NS	238.3	—	-0.3	1.2
Exempt Equity Cap.	106.1	—	-0.3	—
Exempt Equity Acc.	108.1	—	-0.3	—

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	283.1		—
Property Fund (A)	276.3		—
Agricultural Fund	1081.5		—
Agric. Fund (A)	1054.1		—
Abbey Nat. Fund	224.8		—
Abbey Nat. Fd. (A)	224.0		—
Investment Fund	132.6		—
Investment Fund (A)	130.3		—
Equity Fund	390.2	+3.2	—
Equity Fund (A)	383.2	+3.1	—
Money Fund	210.0	...	—
Money Fund (A)	206.3	...	—
Actuarial Fund	210.9		—
Gilt-edged Fund	184.7	+0.3	—
Gilt-Edged Fd. (A)	184.7	+0.3	—
Retire Annuity	346.8		—
Immed. Ann'ty	195.0		—
International Fd	253.8	+0.8	—
Bldg. Soc. Life Fd	101.2		—

Property Gth Pens & Annuities Ltd

All Weather Ac. Uts.	251.1	264.3		—
Inv. Fd. Uts.		281.9		—
Pension Fd. Uts.		242.6		—
Conv. Pens. Fd		275.9		—
Cnv. Pns. Cap. Ut.		209.7		—
Man. Pens. Fd.		313.3		—
Man. Pens. Cap. Ut.		247.3		—
Prop. Pens. Fd		271.5		—
Prop. Pens Cap. Uts.		208.9		—
Bldg. Soc. Pen. Ut.		242.4		—
Bldg. Soc. Cap. Ut.		189.1		—
Gilts Pens. Fd.		162.7	+0.3	—
Gilts Pens. Fd. Cap.		144.3	+0.2	—
Equity Pens. Fd.		248.1	+1.6	—
Equity Pens. Fd. Cap.		213.8	+1.4	—

Providence Capital Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

Equity Acc.	100.1	105.6	...	—
Fixed Interest Acc.	89.0	93.9		—
Intnl. Acc.	77.9	82.2		—
Managed Acc.	88.1	92.9		—
Property Acc.	260.0	274.0	..	—

OFFSHORE AND OVERSEAS

NOTES

EUROPEAN OPTIONS EXCHANGE

LONDON RECENT ISSUES

EQUITIES

"RIGHTS" OFFERS

Fixed interest stocks do not appear today

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. T Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ◆ Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule.

INT. CAP. MARKETS

Complex deal for IC Industries

BY MARY ANN SIEGHART IN LONDON

IC INDUSTRIES, the U.S. railroad-based holding company, issued a complex bond-with-warrants deal on the Eurodollar bond market yesterday. Led by Orion Royal, together with Paribas, UBS and Merrill Lynch, the eight-year $75m bond carries a coupon of 8¾ per cent at par.

Each bond carries 20 equity warrants and one option warrant. The equity warrants can be exercised to buy one IC share each at $50 per share. They expire in June 1988.

The option warrant can be exercised either into 20 shares for a total of $1,000 or into an 11 per cent, 1991 bond, also costing $1,000. The option warrant can be exercised until June 1984.

Market interest in the bond was muted at first, but picked up when IC's share price rose $1⅝ to $46¼.

Dealers suggested that the 200 per cent equity content (each $1,000 bond carries warrants convertible into $2,000 of equity) gave a considerable amount of gearing, which made the bond a good vehicle for speculation. The bond was quoted at around par in the pre-market.

Turnover was very low in the dollar secondary market, with many dealers preparing for today's Association of International Bond Dealers' meeting in The Hague.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The *following are closing prices for May 24.*

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cr. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SECTION III CONTENTS

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday May 25 1983

Petroleum futures market set to expand, Page 33

WALL STREET

Transport sector is a driving force

SHARES surged on Wall Street yesterday and the Dow Jones 1200 mark was left well behind again. Bonds were more cautious but the final bour brought a rally at the longer end, *writes Terry Byland in New York.*

At the close, stocks were sharply higber in heavy trading and the Dow Jones Industrial average was 18.48 ahead at 1219.04. Advancing issues exceeded 1,100, compared with some 450 declines and volume climbed to about 109m shares from Monday's 84.96m.

The market's fears of an imminent tigbtening of Federal Reserve credit policies seemed to have eased somewhat. The latest consumer price index was read as an indication that inflation remains under control, leaving the strength of the economic recovery to provide the fuel for a further advance in equities.

Share prices had been rising all day but the upturn gathered pace following the rally in bonds. In the transportation sector, railroad issues recorded substantial gains while other strong sectors included motors, chemicals, technology and paper industry shares.

Chemical shares, which have lagged behind the rest of the market, advanced strongly. Monsanto at $84¾ put on $2¼, Union Carbide gained $⅞ to $71¼ and Dow Chemical at $32⅜ and risen by $⅝.

Motor shares improved, helped by the latest sales figures from the industry. General Motors stood out trading with a $1 gain to $67¾ and there were early gains of $⅝ in Ford Motor at $49⅝ and American Motors at $9⅝.

Among oil sbares, which are back in favour now that world oil prices have settled down, Exxon put on $¼ to $34⅜, Atlantic Richfield $¾ to $47¾ and Getty Oil $⅜ to $67¾.

Consumer stocks, however, which are seen as vulnerable to any tightening of credit policies by the Fed, looked mixed. K-mart, the discount leader, put on $⅝ to $31½ but Sears traded $⅛ lower to $39⅞. A modest rise in profits in the first quarter left Toys R Us $¾ off at $56.

Litton Industries was strong at $64½, a net $⅞ up on good results for the third quarter. Other corporations reporting included Deere, for which a loss came as little surprise and took only $¾ off the shares to $36¾.

Gannett gained $½ to $65½ on its forecast of peak profits and a higber dividend, and Westvaco edged up to $30½, despite a small downturn in profits in the second quarter.

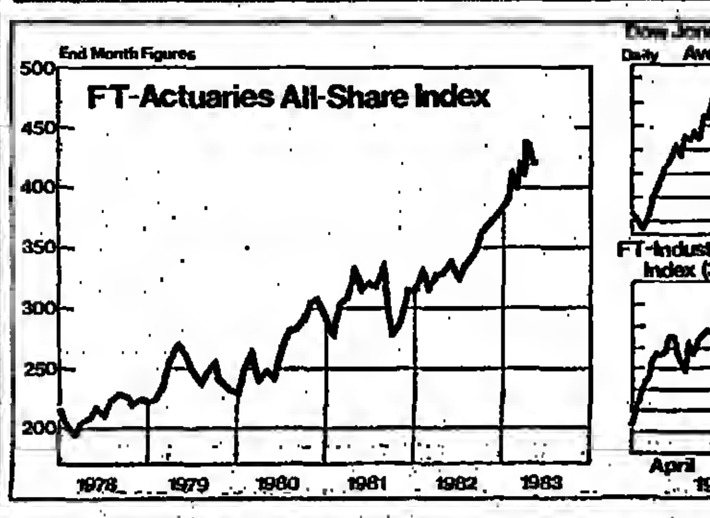
Credit markets opened firmly but quietened wben the Federal funds rate remained firm at 8¾ per cent and retail buyers failed to make an appearance. Later, Fed funds eased up to 8⅝ per cent where the rate remained despite a modest $700m customer repurchase arrangement by the Federal Reserve.

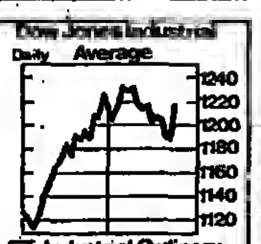
Treasury bill yields were adjusted higher to match the outcome of Monday's auction but topped off later, the three-month bills to 8.44 per cent and the six-month bills to 6.46 per cent. The benchmark long bond moved up to 97 5/32.

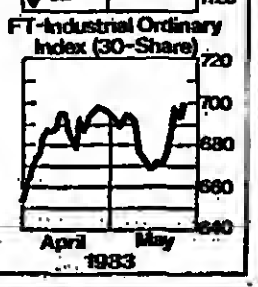
But credit markets remained perturbed by the Senate's delay in raising the Treasury debt ceiling, which caused postponement yesterday of an auction of five year, two month notes.

In **Toronto**, shares were broadly higher as the market sougbt to catch up on Monday's Wall Street gains, made while the Canadian exchanges were closed for the Victoria Day boliday. All 14 of the major stock groupings advanced, with the strongest rises among metals, oils, golds and papers. Stocks also advanced in **Montreal** where, conversely, only metals trailed behind.

KEY MARKET MONITORS







STOCK MARKET INDICES

NEW YORK	May 24	Previous	Year ago
DJ Industrials	1219.04	1200.56	836.38
DJ Transport	555.23	540.77	330.6
DJ Utilities	130.86	127.91	113.77
S&P Composite	165.54	163.43	114.79
LONDON			
FT Ind Ord	699.8	692.4	580.8
FT-A All-share	426.94	422.62	332.54
FT-A 500	464.16	458.99	363.35
FT-A Ind	426.76	422.84	328.48
FT Gold mines	642.5	636.5	231.6
FT Govt secs	80.80	80.54	66.80
TOKYO			
Nikkei-Dow	8563.51	8528.64	7468.28
Tokyo SE	630.85	629.03	555.07
AUSTRALIA			
All Ord.	605.1	599.8	505.9
Metals & Mins.	536.5	530.5	367.4
AUSTRIA			
Credit Aktien	57.83	57.78	51.94
BELGIUM			
Belgian SE	121.91	122.04	92.82
CANADA			
Toronto Composite	2417.25	*2389.2	1511.3
Montreal Industrials	416.70	411.17	277.65
Combined	400.00	395.47	260.71
DENMARK			
Copenhagen SE	139.78	140.08	90.78
FRANCE			
CAC Gen	124.3	123.8	109.5
Ind. Tendance	127.7	126.7	121.0
WEST GERMANY			
FAZ-Aktien	311.24	311.78	228.28
Commerzbank	930.1	932.2	696.4
HONG KONG			
Hang Seng	877.68	902.71	1353.93
ITALY			
Banca Comm	189.79	191.7	171.99
NETHERLANDS			
ANP-CBS Gen	125.0	123.4	93.1
ANP-CBS Ind	102.3	101.5	72.9
NORWAY			
Oslo SE	186.51	189.81	111.76
SINGAPORE			
Straits Times	913.39	918.26	759.55
SOUTH AFRICA			
Golds	904.6	888.8	418.8
Industrials	948.6	947.0	563.0
SPAIN			
Madrid SE	118.31	115.8	121.27
SWEDEN			
J & P	1435.81	1456.23	592.57
SWITZERLAND			
Swiss Bank Corp	322.4	324.8	254.3
WORLD	May 23	Prev	Yr ago
Capital Int'l	175.8	175.6	136.0

GOLD (per ounce)

	May 24	Prev
London	$436.50	$433.50
Frankfurt	$436.75	n/a
Zurich	$437.50	n/a
Paris (fixing)	$439.15	$439.97
New York (May)	$437.10	$439.00

* Indicates latest pre-close figure

CURRENCIES

	U.S. DOLLAR May 24	U.S. DOLLAR Previous	STERLING May 24	STERLING Previous
£	1.5690	1.5560	–	–
DM	2.4900	2.4870	3.91	3.8700
Yen	236.30	235.75	371	367
FFr	7.4700	7.4725	11.7175	11.6250
SwFr	2.0790	2.0815	3.2650	3.2400
Guilder	2.7975	2.7960	4.3900	4.3525
Lira	1479.00	1478.50	2320.50	2300
BFr	49.65	49.63	77.90	77.15
C$	1.23475	1.23475	1.9370	1.9200

INTEREST RATES

Euro-currencies (three month offered rate)	May 24	Prev
£	10 7/16	10½
SwFr	5 1/16	4⅞
DM	5⅝	5⅝
FFr	13 7/16	13⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 5/16	9 5/16
6-month U.S.$	8 7/16	9 7/16
U.S. Fed Funds	8⅝	8⅝
U.S. 3-month CDs	8.85	8.80
U.S. 3-month T-bills	8.44	8.38

U.S. Treasury Bonds

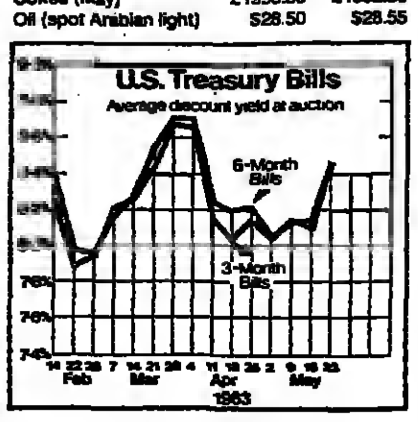
	May 24 Price	May 24 Yield	Prev Price	Prev Yield
8½ 1985	99 19/32	9.71	99 23/32	9.67
10½ 1990	100 9/32	10.48	101 5/32	10.28
10⅛ 1993	97 13/32	10.55	97 19/32	10.57
10⅜ 2012	97 5/32	10.70	97	10.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	76–15	76–18	75–30	76–08
U.S. Treasury Bills (IMM) $1m points of 100%				
June	81.54	91.55	91.48	91.55
Cert Deposit (IMM) $1m points of 100%				
June	91.10	91.11	91.03	91.11
LONDON				
Three-month Eurodollar $1m points of 100%				
June	90.79	90.85	90.78	90.74
20-year Notional Gilt £50,000 32nds of 100%				
June	104–10	104–10	104–01	103–23

LONDON COMMODITY MARKETS

	May 24	Prev
Silver (spot fixing)	843.05p	819.20p
Copper (cash)	£1115.50	£1113.00
Coffee (May)	£1999.50	£1992.50
Oil (spot Arabian light)	$28.50	$28.55



LONDON

A record and also a letdown

EQUITIES surged in London yesterday with the FT Industrial Ordinary share index teasing those optimists who were intent on seeing the measure close above 700 for the first time.

The index, more than 10 points np initially at 702.5, slipped below the psychological barrier in the afternoon, but seemed set to rebound thanks to strong Wall Street advices early yesterday. However, contrasting dullness in three constituent stocks prevented this and the index ended 7.4 up oo the day at a new record high of 699.6.

U.S. influences were a major factor, with London impressed by Wall Street's performance on Monday.

UK investors committed funds to selected blue chip and other quality industrials with the result that 6m shares of Blue Circle were placed at around 410p each, without any difficulty. Blue Circle ended, however, 12p down at 425p.

P & O deferred was again the most active share, following the bid from Trafalgar House. It eased to 208p before rallying smartly to 226p and closing unchanged on balance at 215p, about 11p above the offer terms in anticipation of a vehement defence. Trafalgar fell 5p to 163p after 162p.

The pound's much improved trend revived enthusiasm for government securities and quotations soon moved higher. But interest subsided as index-linked gilts, out of favour since the rate of inflation fell to 4 per cent, came under further selling pressure.

Some sales obviously reflected switching to conventional issues, which finally gained some ⅝ on the day. These rises contrasted with falls ranging to ¾ in index-linked stocks.

A promising opening by mining markets was stifled by the lack of follow-through buying of bullion. South African golds made rapid progress at the outset, reflecting bear closing and light support from Jobannesburg, but encountered renewed selling and left the majority of stocks well below the day's best.

South African financials mirrored the trend in golds with Gencor ¼ to the good at £16½ and Gold Fields of SA ⅛ firmer at £97½.

The good performance by overnight Sydney and Melbourne markets encouraged widespread, althougb generally modest, gains in Australians. The leaders were highlighted by Gold Mines of Kalgoorlie, 10p firmer at 565p; CRA, 5p to the good at 290p; and MIM, which added 6p at 257p.

Share information service, Pages 34–5

AUSTRALIA

Quick upturn

A SWIFT upward correction in Sydney *followed Wall Street's unexpected resilience* to the U.S. money supply bulge. Solid gains by leading mining issues were largely responsible for a 5.5 rise in the All Ordinaries index at 605.1 after Monday's dip fractionally below 600.

CSR added 15 cents to A$3.60 and Western Mining 10 cents to A$4.70. Golds diverged, with a fall of 15 cents for Emperor on its one-for-four rights issue and 10 cents for GMK at A$9.80, but Poseidon jumped 16 cents to A$5.20.

ANZ Bank strengthened 20 cents to A$4.40 on its healthy results. Some 260,000 shares in Westpac changed bands at A$2.48 – a full 26 cents below its close at A$2.74, three cents firmer on the day.

SOUTH AFRICA

Golds firmer

SHARES recovered in Johannesburg following Monday's sell off in the wake of the Pretoria bomb blast and the subsequent action against Mozambique.

However, golds were unable to sustain the full value of early gains. Among heavyweights, Vaal Reefs rose R2.50 to R133.30 after peaking at R134, Randfontein R2 to R182 after R183 and President Brand R1.50 to R52 after R53.

Industrials were mainly steady with SA Breweries rising 15 cents to R8.35 and Sasol five cents to R4.50.

FAR EAST

Currencies dishearten Hong Kong

THE APPARENT inability of the Hong Kong authorities to shore up the local dollar – which weakened further yesterday against its U.S. counterpart to a record HK$7.08½ despite Friday's two-point prime rate rises – pulled stock prices there sharply lower for the second successive day.

The Hang Seng index closed below the 900 level for the first time since early February, losing 25.03 to 877.68 for a two-day fall of 64.37. Turnover increased somewhat to a moderate value of HK$117.93m.

Brokers said the higher interest rates had added to the burden of financially troubled local companies, particularly in the property sector. But others noted a readiness among investors to return to the market as buyers once the currency shows signs of holding its ground.

Of the leaders, Cheung Kong shed 35 cents to HK$7.35, Hongkong Bank and Hongkong Electric 15 cents a piece to a respective HK$7.65 and HK$5, Hutchison Whampoa 60 cents to HK$10.60 and Jardine Matheson HK$12.20.

Trafalgar Housing continued to trade as the exchanges and the company ignored a call by the Securities Commissioner for dealings to halt. Earlier be bad said that creditors with shares as security against loans were starting to sell their holdings.

Trafalgar fell 10 cents to finish the day at just 20 cents.

A **Tokyo** upturn, prompted by Wall Street's better overnight showing, had the strongest effect among the blue chips and selected speculative counters but many in the broader market still trailed.

This was reflected in the performance of the Nikkei-Dow Jones market average, which more than compensated for Monday's 32.81 fall, ending 34.87 better at the day's high point of 8,563.52. The stock exchange index, by contrast, managed to recoup only 1.82 of a 2.70 downturn to finish at 630.85. Volume crept up from 190m to 230m shares.

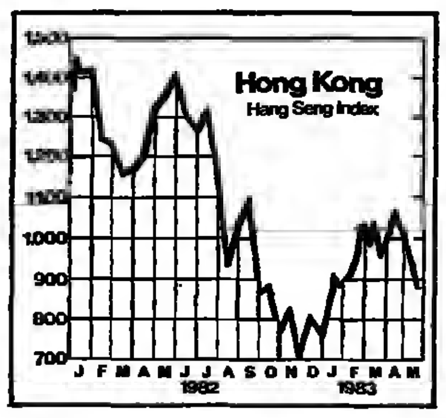
Toshiba rose Y10 to Y352 on company forecasts of improved earnings this year, but Sony came down the same amount to Y3,570. Breweries, among Monday's best, were quick to retreat.

Government bond prices eased after a firmer opening, but still trimmed some of the previous day's losses.

Fairly active **Singapore** trading left the Straits Times industrial index 4.87 off at 913.39, with five-cent falls for Singapore Land at S$7.65, Malayan Banking at S$8.25 and Malayan Cement at S$7.85.

Sentiment was helped by a Bank Negara denial that it bad warned Malaysian brokers to curb margin trading on behalf of clients.

Money market rates survived a S$6.15bn government bond issue little changed as liquidity was more than adequate.



EUROPE

Turnover down to a trickle

TURNOVER seldom reached more than a trickle on the European bourses yesterday as many investors afforded themselves an unofficial extension of the long holiday weekend, and price changes as a consequence were limited and rather unreliable as indicators of seotiment.

One **Frankfurt** broker went as far as to attribute most movements purely to chance. The Commerzbank index crept down 2.1 from Friday to 930.1 but few clear sectoral trends were discernible.

Construction group Hochtief, which reported a sligbt profits decline but a bonus dividend, gained DM 8 to DM 524.

Public authority bond prices shed as much as half a point as the D-Mark weakened, with the Bundesbank required to take up DM 118.8m worth against Friday's DM 54.3m.

Dutcb internationals drew the most **Amsterdam** interest, providing rises of Fl 4.80 for Royal Dutch at FL 119.10 and Fl 3 for Unilever at Fl 192. Financials were unsettled by interest rate worries but, of the domestic leaders, publisher Elsevier shone with a Fl 7.50 rise to Fl 302.50.

Domestic bond prices steadied in slow trading.

A mixed to lower **Brussels** displayed weakness in steels. Clabecq shed BFr 48 to BFr 830 and Arbed BFr 12 to BFr 1,082, while wire maker Bekaert – reporting a strong profits advance, 1982 dividend boost and "excellent" outlook – held at BFr 2,650.

The start of a new **Paris** monthly account brought widespread but cautious gains. Valeo added FFr 22.50 to FFr 320, Imetal FFr 2.60 to FFr 55.70 and BSN Gervais FFr 16 to FFr 1,801. But Matra was one to slip FFr 35 to FFr 1,320.

A forecast by the Paris Chamber of Commerce, envisaging negative economic growth this year as a result of austerity, restrained enthusiasm.

Selling predominated in **Milan**, particularly in Fiat ahead of its results announced later, although these emerged ahead on the year. The car maker's stock had beeo sought over the past week but yesterday came back L103 to L2,747.

Among financials Generali – also later to report improved profits – slipped L1,475 to L130,000 aod Banca Commerciale L850 to L29,000. Bond prices firmed in moderate activity.

Zurich business centred on last week's favourites, especially Saurer whicb ended a volatile day just SwFr 2 higher at SwFr 123. Nestle went ex-dividend to end at SwFr 4,075, off SwFr 90. Bonds were barely steady.

An uneveo **Stockholm** pattern showed Alfa-Laval SKr 20 weaker at SKr 465 but Esselte up SKr 10 at SKr 275. Volvo was off SKr 3 at SKr 505 ahead of today's annual meeting.

A similarly erratic **Madrid** left the major banks uncbanged, Telefonica up Pta 1.30 at Pta 85 but Dragados down Pta 3 to Pta 145.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	5¾	AAR	.44	2.8	25	81	15¾	13	15½	+7/8
37¼	27½	ACF	1.40	4.1	14	483	33¾	33⅜	33¾	+⅜
20	12¾	AMF	.50	3.1		858	16¾	15⅞	16¼	+⅛
30⅞	13¾	AMR Cp				1697	27¼	26⅜	27¼	
16⅞	4	AMR	wt			544	13¼	12¾	13	−¼
18¼	12⅞	AMR	pf2.18	12		40	18	17⅞	17⅞	−⅛
35	24⅞	AMR	pf2.13	6.8		50	31½	31⅛	31¼	−⅛
9¾	2½	APL				377	9⅝	9¼	9⅝	+⅛
53½	25¾	ARA	2.05	3.8	15	453	53½	53	53¾	+⅜
73⅞	24½	ASA	3a	4.1		893	73¾	72⅛	72⅞	+1
32⅞	13⅞	AVX	.32	1.8	55	547	31¼	29¼	31¼	+2¼
47½	27⅞	AbtLab	1	2.3	16	1620	44	43⅜	43⅝	−⅛
30⅛	20¾	AccoW	n.12e	.4	21	64	27⅜	27	27⅜	+¼
22¼	15¾	AcmeC	.40	1.9		27	21¼	20⅞	20⅞	
13⅞	5¾	AcmeE	.32b	2.6	40	30	12⅞	12⅜	12½	−¼
19⅞	4⅞	AdmDg	.04	.2	15	177	17¾	17⅜	17⅜	+⅛
17⅞	12⅛	AdaEx	1.73e	10		104	16⅞	16⅜	16¼	+⅛
12¼	4⅝	AdrnMl	.24	2.2	10	123	11¼	11	11⅛	−⅛
28	12⅞	Advest	s.16	.6	14	161	27½	26⅞	27⅛	+¼
45	13	AMD	s		65	2416	u50⅛	48¼	50⅛	+2½
44⅞	32⅞	AetnLf	2.64	6.9	6	1626	42⅛	41⅝	42⅛	+⅝
40½	6	Ahmns	.60	1.6		6439	37⅛	36	36¼	−¼
4⅛	2⅜	Aileen				112	4	3⅞	4	+¼
48⅞	23⅞	AirPrd	.80	1.8	14	1901	43¾	42⅞	43¾	+1⅛
26⅞	8⅞	AirbFrt	.60	2.4	28	25	25¼	24⅛	24⅞	+⅛
3	2	AlMoa	e		3	433	u3⅞	3	3¼	+⅜
33½	24⅞	AlaP	pfA3.92	12		5	33¼	32¼	32¼	−¼
7½	5⅞	AlaP	dpf.87	12		27	7½	7¼	7⅜	+¼
74½	58	AlaP	pf 6	12		250	74	74	74	+1
97	73½	AlaP	pf 11	11		219	98	96	98	+¼
70	31	AlaP	pf8.28	12		2700	69	67½	67½	−1½
19¾	13	Alagsco	1.76	8.1	6	35	19⅞	19⅜	19⅞	+¼
18	4⅞	AlskAir	.12	.6	12	219	u18⅛	15⅞	12	+¼
39⅞	23¾	Albany	1.40	6.6	20	119	38⅛	35⅜	35⅞	
24⅞	10⅞	Alberto	.54	2.9	16	31	18⅞	18¼	18⅝	+⅛

[illegible]

A FINANCIAL TIMES CONFERENCE

WORLD ELECTRONICS: EUROPE—THE WAY AHEAD

London 21 & 22 June 1983

Distinguished speakers at this high-level two-day conference will include:—

Mr Robert E. Sageman
President and Chief Executive Officer
A. T. & T. International

Mr C. J. van der Klugt
Vice-Chairman, Board of Management
N.V. Philips Gloeilampenfabrieken

Mr Taiyi Kobayashi
Chairman of the Board
Fujitsu Limited

Dr Carlo de Benedetti
Vice-Chairman and Chief Executive Officer
Ing. C. Olivetti & C., SpA

For further details please contact:—
Financial Times Limited, Conference Organisation
Minster House, Arthur Street, London EC4R 9AX
Tel: 01-621 1355 Telex: 27347 FTCONF G

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	5⅝	AAV	.28	1.3	17	70	u22¼	21⅝	21⅞	+ ⅛
6⅛	1	ATI				487	4	3½	3¾	+ ⅛
12¼	2	AcmePr				49	7¾	7½	7¾	+ ½
24⅝	12¼	AcmeU	.40	1.7	20	11	23⅝	23⅛	23⅝	
31⅞	2⅞	Action			7	218	u32⅝	32¼	32¼	+ 1⅝
9⅞	5¾	Actons	.10t	1.2	41	111	8¼	8⅛	8¼	− ¼
3¼	⅞	Actn	wt			22	2	2	2	+ ⅛
6	1¼	AdmRs	.10	2.0		210	5¼	5⅛	5⅛	− ½
27⅞	12	AdRusl	e.10	.4	27	21	27⅞	27	27⅞	− ⅛
21¼	11⅞	Adobe	.20	.9	14	463	u21½	20⅝	21⅛	+ ⅛
3⅞	2	AeroCp			14	276	3¼	3⅛	3¼	+ ⅛
22⅛	8½	Aeroflx	1.63t	7.0	18	142	22⅞	21⅛	22⅞	
7	2⅞	Aeronca			13	255	6⅞	6½	6¾	
29¼	9⅞	AffHsp	.36	1.2	13	z12	29	28¾	29	+ ½
45	16¾	AffPb	s .64	1.5	21	108	43¼	42¾	43¼	
12⅛	3⅞	AirSix			10	149	12	11⅞	12	+ ½
15⅞	4⅞	AirExp				130	15½	15⅜	15⅜	+ ⅜
19¾	3⅞	AlbaW	.15e	.7	31	172	u20⅞	19⅞	20⅞	+ 1
12	8½	AlmySt		2.0	43	16	10¼	10⅛	10⅛	+ ⅛
16⅜	5¾	AlphaA			7	20	8¼	8	8¼	+ ¼
24⅞	10⅛	Alphal	s		29	46	22½	22	22⅜	+ ⅜
15⅞	7⅛	Altamil	.40	2.7	0	15	15	15	15	+ ⅜
1⅛	½	Altec				85	1⅛	1¼	1⅛	+ ⅛
8¼	4⅞	Altec	pf			1	8	8	8	− ⅛
2⅞	1⅛	Altex				257	2¼	2⅛	2⅛	
½	1-16	Altex	wt			164	½	½	½	+ 1-16
37	25½	Alcoa	pf3.75	11		z350	35½	34¼	35½	+ 1⅛
61⅛	17¼	Amdhl	.40	.8	14850	50⅞	49⅞	50⅞	+ 1¼	
25⅞	3¼	Amdhl	wt			16	25⅛	25⅛	25⅞	+ ⅞
48⅞	8⅛	Amedc	s .12	.3	31	19	48½	45⅞	48	
9	3½	ABilt	n .15	2.7	9	41	6	8½	8½	− ¼
6	⅞	AmCap				26	4⅞	4¼	4¼	− ¼
31⅛	17¼	AContl	.80	2.5	8	1	u32	32	32	+ ⅛
39¾	6⅛	AExp	wt			579	u40⅛	38¼	40	+ 2⅞
15½	5¾	Aiscael			5	39	9	8¾	8¾	
15⅞	8	AMzeA	.52	3.2	19	105	u16⅞	15¼	16⅜	+ 1⅛
15	8	AMzeB	.52	3.3	10	29	u15⅞	15⅛	15⅞	+ ⅞

[illegible]

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅞	3⅝	Veeco	.24	.9	31	436	28⅛	27½	28⅛	+ ½
15	4¾	Vendo			25	138	12⅝	12¼	12½	− ⅛
11⅛	6⅜	VestSe	1.24	12		41	10⅝	10½	10⅝	+ ⅛
35⅞	17⅜	Viacom	.35	1.0	17	727	34½	33½	34¼	+ 1¼
44¼	25¼	Vicm	pf2.10	5.0		3	42¼	42¼	42¼	+ ¼
66	48	VaEP	pf7.72	12		z710	66	63⅞	66	+ ¼
74½	55	VaEP	pf8.24	12		z10	72¼	72¼	72¼	− ¼
78	52½	VaEl	pf8.60	11		z10	77	77	77	
87	61	VaEP	pf9.75	13		z150	78	78	78	+ ¼
25	19¾	VaEP	pf2.90	12		18	24⅛	24	24	− ½
65½	49¼	VaE	pf7.72	12		z250	65	64½	65	+ ¼

Continued on Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

CANADA

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

ITALY

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Charter Consolidated	263	+ 8
Devenport's Brewery	315	−20
Dunlop	76	− 3
ICL	73	+ 1
ICI	472	+ 5
Ingram (H.)	70	+ 3
London and Liverpool	135	−18
Ocean Transport	120	− 7
P & O Deferred	215	—
RHM	66	+ 1
Sainsbury (J.)	398	—
Tesco	128	+ 6

MONDAY'S ACTIVE STOCKS

Stock	No. of changes	Mon. close	Day's change
Jackson Expln.	26	150	−120
Glaxo	20	8.7	−33
Dunlop	16	78	+ 2
Tilling (T.)	17	255xd	− 1½
Ocean Transpt.	16	127	+11
BAT Industries	14	580xd	—
P & O Defd.	12	215	− 1
De Beers Defd.	11	565	−23
GEC	11	213	+ 3
Ingram (H.)	11	67	+22
Plessey	11	645	+ 5
RTZ	11	578	−17
Racal Elect.	10	487	− 1
Arlen Elect.	8	290	+17

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (60)

FOREIGN BONDS (1)
Ireland 7½pc '81-83

AMERICANS (2)
Lowes — Union Carbide

BANKS (4)
ANZ — First Nat. Warrants
Allied Irish — Lloyds Bank

BUILDINGS (2)
AMEC — Laing (John)

STORES (3)
Hepworth (J.) — Wigfall (H.)
LDH Group

ELECTRICALS (4)
A.B. Electronic — Plessey
Motorola — Unitech

ENGINEERING (1)
Planet

FOODS (4)
Linfood — Sainsbury (J.)
RHM — Tate & Lyle

HOTELS (1)
Stakis

INDUSTRIALS (9)
Burco Dean — I.C. Inds.
Business Comp. — Lawtex
Camrex — Standard Fireworks
Caparo Inds. — Valor
Ecobric

MOTORS (2)
Automotive — Tate of Leeds

PROPERTY (4)
Aquis Secs. — Lend Lease
Cap. & Counties — Mountview

TEXTILES (1)
Ingram (H.)

TRUSTS (14)
Cardinal — River & Mercantile
Crescent Japan — Energy Fin.
Dominion & Gen. — London Inv.
Fleming Claverhouse — London Merchant
Greenfriar Inv. — Do. Defd.
Mid. Wynd Inv. — M. & G. Group
Montague Boston — Yule Catto

OIL & GAS (4)
Charterhall — Hadson Pet.
Energy Cap. — New Court Nat.

OVERSEAS TRADERS (1)
Steel Brothers

MINES (3)
Crusader Oil — Homestake Mining
Keywest Ex.

NEW LOWS (26)

BRITISH FUNDS (5)
Treas. 2pc I.L. '96 — Treas. 2½pc I.L. '01
2½pc Treas. I.L. 1999 (£40 paid) — Treas. 2½pc I.L. '11
Treas. 2½pc I.L. '16

CHEMICALS (1)
Halstead (J.)

ELECTRICALS (1)
Orack Hldgs.

INDUSTRIALS (9)
Cornell — Nolton
Cosalt — Pentlow
Fogarty — Rockware
Jardine Matheson — Unilever
Lon & Liv. Trust

MOTORS (1)
Perry (H.)

PROPERTY (3)
HK Land — Whittingham
Swire Props.

SHOES (1)
FII

TEXTILES (1)
Lowe (R. H.)

TRUSTS (3)
Ambrose Inv. Inc. — Fundinvest Inc.
Drayton Warrants

OIL & GAS (1)
Flair Res.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tues May 24 1983: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon May 23: Index No.	Fri May 20: Index No.	Thur May 19: Index No.	Wed May 18: Index No.	Year ago (approx.): Index No.
1	CAPITAL GOODS (206)	464.[illegible]	+0.7	8.48	3.73	15.16	461.53	462.18	465.73	462.44	388.09
2	Building Materials (25)	424.5[illegible]	+0.4	9.68	4.66	13.06	422.65	424.88	424.46	422.95	338.78
3	Contracting, Construction (30)	7[illegible]	+0.4	11.87	4.57	10.42	742.81	747.81	745.75	745.14	613.76
4	Electricals (33)	1765.[illegible]	+0.9	6.85	1.99	18.87	1750.77	1741.66	1774.75	1756.52	1409.84
5	Engineering, Contractors (10)	487.[illegible]	+0.5	15.18	6.42	8.11	485.14	489.67	492.48	490.26	479.71
6	Mechanical Engineering (64)	[illegible]	+0.9	11.40	5.43	10.95	211.58	213.02	215.28	212.16	204.04
8	Metals and Metal Forming (11)	[illegible]	+1.3	9.85	6.46	12.49	178.45	179.25	181.98	180.88	167.41
9	Motors (18)	[illegible]	−0.6	1.36	5.18	—	104.44	104.60	101.75	101.13	94.35
10	Other Industrial Materials (17)	[illegible]	+0.9	6.99	4.92	18.82	452.11	456.40	454.66	451.31	385.61
21	CONSUMER GROUP (201)	[illegible]	+1.1	10.29	4.38	11.82	425.94	419.04	422.66	420.27	390.13
22	Brewers and Distillers (23)	454.28	+0.7	11.65	4.78	10.46	451.23	452.86	455.53	449.73	380.67
25	Food Manufacturing (21)	319.62	+0.3	14.02	6.06	8.36	318.68	321.34	323.85	321.52	267.76
26	Food Retailing (14)	873.11	+1.9	7.35	2.80	17.15	856.67	852.30	849.51	834.36	681.09
27	Health and Household Products (8)	811.90	+1.1	5.28	2.32	22.54	802.40	817.44	827.85	820.79	464.27
29	Leisure (24)	531.87	+0.7	7.39	4.55	17.97	528.85	527.86	535.77	524.38	440.57
32	Newspapers, Publishing (14)	822.83	+2.8	10.25	3.96	11.82	800.66	792.52	793.80	785.92	523.97
33	Packaging and Paper (14)	155.29	+1.0	13.11	6.38	9.02	153.85	155.85	157.39	156.82	140.88
34	Stores (48)	367.84	+0.9	8.47	3.92	15.80	364.59	367.13	370.86	370.98	282.48
35	Textiles (22)	198.41	+0.8	12.77	5.80	9.42	196.83	200.92	204.66	204.85	173.09
36	Tobaccos (3)	436.39	+2.9	22.81	7.88	5.08	423.94	430.82	436.34	434.08	356.38
39	Other Consumer (10)	381.64	+1.0	6.51	3.79	—	377.90	378.49	377.37	376.29	284.34
41	OTHER GROUPS (79)	345.02	+0.8	8.19	4.77	15.34	342.15	343.52	345.27	343.21	257.30
42	Chemicals (15)	480.80	+1.6	8.81	5.85	15.81	473.53	478.64	482.87	481.32	339.62
44	Office Equipment (6)	97.25	+0.8	2.80	5.79	14.62	96.50	97.69	99.74	99.38	132.65
45	Shipping and Transport (14)	722.90	−0.1	8.07	5.52	16.19	723.79	715.91	718.08	678.42	572.25
46	Miscellaneous (44)	451.96	+0.4	8.34	4.19	14.80	450.02	450.30	452.46	452.29	331.37
49	INDUSTRIAL GROUP (486)	426.76	+0.9	9.37	4.21	13.26	422.86	424.92	428.21	425.97	328.98
51	Oils (14)	874.63	+2.2	12.68	6.69	9.58	856.86	858.62	868.38	853.86	757.26
59	500 SHARE INDEX	464.16	+1.1	9.90	4.61	12.49	458.99	461.11	464.94	461.38	363.35
61	FINANCIAL GROUP (121)	314.12	+0.7	—	5.94	—	312.00	313.60	315.00	312.58	245.94
62	Banks (6)	347.23	+2.0	25.73	7.13	4.29	340.50	339.30	340.45	335.47	267.32
63	Discount Houses (8)	290.92	+0.8	—	9.14	—	288.50	286.59	284.87	285.32	230.86
65	Insurance (Life) (9)	391.96	+0.3	—	5.56	—	390.60	391.62	392.76	392.98	250.81
66	Insurance (Composite) (10)	207.72	+0.2	—	7.23	—	207.40	210.36	210.82	211.52	151.28
67	Insurance Brokers (7)	555.62	+0.4	11.94	5.35	11.50	553.27	558.04	567.61	567.41	492.85
68	Merchant Banks (13)	162.03	+0.3	—	5.37	—	161.47	161.42	161.20	160.35	145.86
69	Property (54)	462.54	+0.1	5.82	3.92	22.88	462.22	464.96	469.25	461.27	438.87
70	Other Financial (14)	242.00	+0.6	10.94	5.51	11.08	240.64	240.83	243.22	239.95	175.47
71	Investment Trusts (109)	411.32	+0.7	—	4.25	—	408.50	411.60	413.31	410.36	301.32
81	Mining Finance (4)	289.22	+1.0	6.92	4.91	18.91	286.24	292.74	292.72	288.22	285.55
91	Overseas Traders (16)	438.52	+0.9	9.64	8.32	14.63	434.81	440.82	443.06	440.45	362.86
99	ALL-SHARE INDEX (750)	426.94	+1.0	—	4.85	—	422.62	424.08	427.95	424.55	332.94

FIXED INTEREST

	PRICE INDICES	Tues May 24	Day's change %	Mon May 23	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	117.05	+0.11	116.92	—	4.61
2	5-15 years	129.41	+0.30	129.02	—	4.05
3	Over 15 years	138.43	+0.40	137.88	—	4.95
4	Irredeemables	145.69	+0.50	144.97	—	6.07
5	All Stocks	128.14	+0.27	127.80	—	4.81
6	Debentures and Loans	102.88	+0.06	102.82	—	4.53
7	Preference	81.10	+0.03	81.07	—	2.67

	AVERAGE GROSS REDEMPTION YIELDS		Tues May 24	Mon May 23	Year ago (approx.)
	British Government				
1	Low	5 years	9.57	9.60	11.95
2	Coupons	15 years	10.25	10.30	12.74
3		25 years	10.03	10.06	12.76
4	Medium	5 years	11.34	11.40	13.92
5	Coupons	15 years	11.09	11.14	13.85
6		25 years	10.48	10.52	13.27
7	High	5 years	11.43	11.49	13.84
8	Coupons	15 years	11.27	11.32	14.02
9		25 years	10.62	10.68	13.50
10	Irredeemables†		10.06	10.11	12.37
11	Debs & Loans	5 years	12.25	12.29	14.72
12		15 years	12.17	12.18	14.69
13		25 years	12.17	12.18	14.67
14	Preference†		12.22	12.25	15.29

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RISES AND FALLS

	Rises	Falls	Same
British Funds	82	1	16
Corpns. Dom. and Foreign Bonds	8	3	70
Industrials	323	148	870
Financial & Props.	188	54	296
Oils	30	14	67
Plantations	1	7	14
Mines	58	34	64
Others	50	49	82
Totals	719	310	1,479

FINANCIAL TIMES STOCK INDICES

	May 24	May 23	May 20	May 19	May 18	May 17	year ago
Government Secs.	80.80	80.54	80.57	80.57	80.61	80.59	68.80
Fixed Interest	82.96	83.00	82.87	82.96	83.00	82.23	66.53
Industrial Ord.	699.8	692.4	686.2	586.4	689.8	575.8	580.8
Gold Mines	642.5	636.5	665.8	680.8	684.4	681.1	831.5
Ord. Div. Yield	4.60	4.64	4.56	4.62	4.56	4.64	5.40
Earnings, Yld.% (full)	8.93	9.02	8.96	8.88	8.94	9.13	11.17
P/E Ratio (net) (*)	15.89	13.75	13.85	13.98	13.69	13.58	10.91
Total bargains	18,059	17,343	20,070	18,107	19,246	16,802	14,954
Equity turnover £m.	—	169.93	299.54	281.87	225.88	246.29	124.40
Equity bargains	—	17,049	20,395	19,223	16,118	15,817	12,060
Shares traded (ml)	—	124.1	194.0	173.7	134.2	136.7	95.7

10 am 702.3. 11 am 700.6. Noon 700.1. 1 pm 699.3. 2 pm 699.6. 3 pm 700.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/68. SE Activity 1974.

Latest Index 01-246 8026.

Nil=13.00.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.73 (11/4)	77.00 (24/1)	127.4 (9/1/35)	42.18 (3/1/75)
Fixed Int.	84.35 (18/4)	79.03 (1/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	699.8 (24/5)	598.4 (12/1)	699.8 (24/5/83)	49.4 (26/6/40)
Gold Mines	734.7 (15/2)	351.5 (23/3)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	May 23	May 20
—Daily		
Gilt Edged Bargains	133.1	133.3
Equities Bargains	110.5	132.1
Value	545.5	605.4
5-day Avrge.		
Gilt-Edged Bargains	138.7	140.8
Equities Bargains	114.5	112.8
Value	494.5	494.4

NEW YORK AND CANADA

Indices

NEW YORK — DOW JONES

	May 24	May 23	May 20	May 19	May 18	May 17	1983 High	1983 Low	Since Compil'n High	Since Compil'n Low
Industrials	1219.84	1200.66	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41.22
Transport	555.23	548.77	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.23
Utilities	130.88	127.91	128.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.56
Trading vol 10000's†	11813	8636	-	[illegible]	[illegible]	[illegible]				

	May 20	May 13	May 6	Year Ago (approx)
Ind div yield %	4.59	4.48	4.44	6.70

STANDARD AND POORS

	May 24	May 23	May 20	May 19	May 18	May 17	1983 High	1983 Low	Since Compil'n High	Since Compil'n Low
Industrials	185.72	183.42	181.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.52
Composite	165.54	163.43	162.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.4

	May 18	May 11	May 4	Year Ago (approx)
Ind div yield %	[illegible]	[illegible]	[illegible]	[illegible]
Ind. P/E Ratio	[illegible]	[illegible]	[illegible]	[illegible]
Long Gov Bond Yield	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

May 24	May 23	May 20	May 18	1983 High	1983 Low
95.57	94.39	-	93.87	442.62 (6/5)	[illegible]

MONTREAL

	May 24	[illegible]
Industrials	416.7	[illegible]
Combined	400.8	[illegible]
TORONTO Composite	2417.2	[illegible]

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

[illegible]

NEW YORK

Continued from Page 31

[illegible]

COMMODITIES AND AGRICULTURE

Substantial petroleum exchange expansion likely

BY RICHARD MOONEY

ACTIVITY ON London's International Petroleum Exchange (IPE) is likely to expand substantially, according to a study published yesterday.

Trading on the IPE's gas oil futures market, which opened in April 1981, averaged 1,573 lots of 100 tonnes each between July and December that year and grew to an average of 4,555 lots a day in the first half of 1982.

But Joe Roeber Associates, which the IPE commissioned to make the market research study, believes there is still good potential for growth.

Its report reveals that 50 per cent of trading has been on behalf of only 25 companies, the other half being shared between at least 135 companies and perhaps as many as 235.

"The high concentration implies that there is a considerable potential for growth if the many small users were to trade as much as the leaders," it says.

Most use of the market is generated by the oil industry itself with traders accounting for 80 per cent of this sector and most of the rest coming from distributors.

Refiner use, though increasing rapidly, still accounts for less than 2 per cent. Few oil users were found to be using the exchange.

UK business is still growing, the report shows, but as foreign interest increases it is declining as a proportion of the total. In the first half of 1982, 48 per cent of users were UK-based, 30 per cent were in the Rhine basin, 12 per cent elsewhere in Europe and 10 per cent in the U.S.

Expected further growth in trading, and therefore in liquidity, will make the market more attractive to the larger companies, Roeber says. Its appeal will also be widened with the planned introduction of new markets including crude oil and petroleum.

Changes in the oil industry itself are also expected to boost the market's activity. These include the development of more flexible free-market pricing and "arms length" trading.

The report sees good prospects for growth in futures trading in areas of the industry where the participants are by experience and temperament already equipped to see its relevance.

Elsewhere, growth will depend on slow changes in attitude and methods of operation.

Rains damage soya bean crop

THREE WEEKS of heavy rains in southern Brazil have resulted in the loss of more than a million tonnes of soya beans, worth $240m in export earnings, in Rio Grande Do Sul state, the country's largest producer.

Fecodrigo, the federation of wheat and soya co-operatives in the state, estimates the loss so far at about 16 per cent of the previously anticipated drop of 6.6m tonnes.

However, if the rains continue this week, Fecodrigo fears the losses could double. About two-thirds of the crop in Rio Grande Do Sul had been harvested before the downpour began.

Further north, which is usually responsible for about a third of the Brazilian soya production, escaped the consequences of the rains because of its earlier harvesting dates.

The rains have affected much of southern Brazil and northern Argentina.

Two weeks ago, estimates of this year's Brazilian soya crop by the U.S. Department of Agriculture put it at a record 15.5m tonnes, compared with last year's drought-hit total of 12.8m tonnes.

Israeli exporters have grape expectations

The British market for fresh grapes is growing rapidly. Our correspondent looks at the countries hoping to keep it supplied.

IN THE decade since Britain joined the EEC, horticultural trading patterns on this market have changed markedly as members and associates of the Community take custom from traditional suppliers now outside its tariff walls.

A country which has gained much from Britain's realignment is Italy, whose table grapes are among numerous items with which it has penetrated the UK at the expense of other exporters, notably Spain.

Between 1976 and 1980, Italy's share of the British market for fresh grapes grew from 4.3 to 14 per cent, while Spain's during the same period fell from 41 to 34 per cent, though an expansion of the market itself meant that the shrinkage in tonnage was not of the same ratio.

Nonetheless, whereas Spain's deliveries to the UK averaged 33,500 tonnes in the seven years to 1975, in the seasons since then the average has fallen to below 30,000 tonnes, and Spain depends on the British market for the disposal of almost a third of its table grape exports.

Though up against the obstacles of the EEC, table grapes from Israel promise to make even more spectacular inroads into this market. They are helped by the fact that geography and climate, not to mention sophistication of marketing, enable deliveries to be fitted neatly between those of other suppliers, Chile's finishing just before Israel's begin and Cyprus's coming just after.

With production expanding over much of Israel and virtually no competition on the UK market, Israel plans, over the six-week season starting at the end of May, to deliver 3,000 tonnes of special Perlet Seedless white grapes to Britain—an increase of 66 per cent on last year's quantity and expected to bring some £5m.

Confidence on the score of price, which has lately ranged around £7 a carton of 4 kg for comparable produce, stems from the virtual market monopoly, the knowledge that white grapes, and especially Perlet, command a premium.

Also, the British market for fresh grapes is about the fastest growing of any horticultural lino, having risen from 50,000 tonnes in 1976 to last year's 72,725 tonnes, worth £44.25m. The growth looks like continuing.

Encouraged by EEC tariff protection and the benefits of the Common Agricultural Policy, Italy is extending her season of grape production with the use of plastic to provide cover at times of the year that are too harsh for plants in the open.

All things being equal, Spain would try to parry the Italian thrust by developing new varieties to match the large "Italia" grape, which commands a premium over the Spanish ohanex white and Napoleon black, but things are not equal, and until Spain can see Common Market membership ahead, the industry is unwilling to make the investments such progress would require.

The Common EEC tariff against grapes is 12 per cent from November 1 to July 14, and 22 per cent from July 15 to October 31, the upper level thus catching Spain's peak months of October and September.

Here again Israel is relatively lucky, for its export season ends just as the period of maximum EEC tariff begins.

U.S. farmland values down

By Nancy Dunne in Washington

U.S. Farmland values fell an average of 6 per cent during 1982, the Department of Agriculture reported. It was the third successive year of decline, putting land values 18 per cent below 1980 levels.

The largest declines were again in the maize-producing States of Iowa, Indiana and Missouri.

Farmland values rose in Texas, California, Virginia, North Carolina, Florida and New England. Texas, with a 3 per cent gain, showed the biggest increase.

The decline, along with a 3 per cent rise in the consumer price index last year, implies an 8.74 per cent drop in the real value of U.S. farmland.

● The growth in U.S. agricultural exports is likely to continue weak for the next several years because of weak foreign economies, large world grain supplies and a strong U.S. dollar.

Mr Mark Drabenstott, a senior economist at the Federal Reserve Bank of Kansas City, says that the 1980s could be a reversal of the boom decade of the 1970s when U.S. farm exports rose from $7.3bn to $41.2bn.

Poland to import anti-beetle pesticides

By Christopher Bobinski in Warsaw

POLAND is to import more pesticides for scarce hard currency to combat a plague of Colorado beetles threatening the country's potatoes and tomatoes.

Last year's potato crop came to 32m tonnes, a disappointing yield given its crucial role in maintaining the pig population now that grain imports have been reduced.

Authorities have appealed to school children to go out into the fields and kill the beetles.

● THE INTERNATIONAL Commodities Clearing House (ICCH) has increased deposit requirements for short positions (uncovered forward sales) on the London coffee futures market. The move is seen as an attempt to reduce the high uncovered position. The ICCH has doubled to £600 per lot the deposit on positions of up to 100 lots and trebled it to £900 for positions about 100 lots. The higher deposits for the bigger positions will also affect the first 100 lots. Increased deposits for long positions (forward purchases) were imposed on May 13.

● THE POTATO Marketing Board estimates that by the week end only 102,915 hectares of potatoes had been planted, of a target area of 161,000 hectares. Plantings were complete this time last year.

● THE WORLD BANK expects the value of Indonesia's rubber exports to reach $2.7bn at current prices by the end of the decade, compared with about $600m in 1982-83.

● THE MALAYSIAN Government predicts that crude palm oil output will rise to a record 3.8m tonnes this year, from the previous record of 3.5m tonnes last year. It expects output to rise to 8.5m tonnes by 1990.

Crop fears maintain sugar price highs

BY OUR COMMODITIES STAFF

EUROPEAN CROP fears remained the dominant influence on the world sugar market yesterday as values climbed to new two-year peaks.

In the morning the London daily raws price was fixed at £168 a tonne, up £8, taking the rise so far this month to £46. On the futures market, the October quotation ended the day £6.775 higher at £188.55 a tonne.

Wet European weather over an exceptionally long period has raised serious doubts about prospects for the coming crop. On Monday, British Sugar warned that the 7 per cent of planned area which had not been planted was "seriously at risk" and continental producers are also expecting reduced crops.

The recent rise has also been aided by the weakness of sterling, lack of new sales from India and the suspension of exports to the world market from the Dominican Republic.

Further bullish news came yesterday from Suva where the Fiji Sugar Corporation estimated that production this year would be down to 390,000-400,000 tonnes from last year's record 486,700. The Fijian crop has been hit by drought.

The rise in cocoa futures prices which had lifted the July position on the London futures market by £59 over the previous three trading days was halted yesterday when the price ended £10.50 down at £1,416 a tonne.

Dealers put the fall down to long liquidation and belated hedge selling against recent physical purchases coupled with sterling's advance against the dollar. But traders Albrecht and Dill in Hamburg were reported to be forecasting a continuing underlying bullish trend for cocoa because of gloomy political news from Ghana and worsening prospects for the Ivory Coast's 1982-83 crop.

Dock workers strikes in protest against the recent tough Ghanaian budget are holding up some 25,000 tonnes of cocoa at the port of Tema, according to harbour authorities. Only about 11,000 tonnes of cocoa had been loaded at Tema in the past six weeks, Albrecht and Dill noted.

Meanwhile, the U.S. attache in Abidjan has forecast that the Ivory Coast crop for 1982-83 will amount to only 345,000 tonnes compared with 385,000 tonnes estimated by London merchants Gill and Duffus in its latest market report.

Philippines rice exports up

BY OUR OWN CORRESPONDENT

PHILIPPINES rice exports in 1983 will reach at least 100,000 tonnes, according to the Nation tonnes, according to the National Food Authority (NFA), the state rice trading agency which has the sole right to export rice.

Indonesia purchased an initial 10,000 tonnes of rice earlier this year and another 50,000 tonnes are scheduled to be delivered within the year.

The country is also to ship 30,000 tonnes of rice to Brazil and another 10,000 tonnes of vitaminised rice to Papua-New Guinea.

Vitaminised rice is a mixture of one part of vitaminised grains which are coated with thiamine, niacin and iron supplements—for every 200 parts

Last year, the Philippines exported a mere 147 tonnes, a drastic decline from a peak of more than 230,000 tonnes in 1980 and 83,000 tonnes in 1981.

PRICE CHANGES

In tonnes unless stated otherwise	May 24 1983	+ or —	Month ago
Metals			
Aluminium	£880		£880
Free Mkt	$1500/1550	+30	$1480/1500
Copper			
Cash h grade	£1116	+3	£1197.5
3 mths	£1145.25	+9	£1138.75
Cash Cathode	£1077.75	+0.25	£1081
3 months	£1107.75		£1109
Gold troy oz	$436.5	+3	$436
Lead Cash	£279.25	—0.75	£295
3 months	£285.875	—0.25	£306.25
Nickel	£4326.9		£4853
Free mkt	225/255c	—5	210/240c
Palladium	$131.00	+2.25	$129.29
Platinum	£289.20	+4.50	£257.19
Quicksilver†	$285/295		$288/300
Silver troy oz	843.05p	+25.85	776.70p
6 mths	864.70p	+24.38	795.65p
Tin cash	£8637.5	+27	£8608.5
3 month	£8710.5		£8741.5
Tungsten	$86.68		$83.28
Wolfam 22.04 lb	$87/90		$89/91
Zinc Cash	£489.5	+4	£463
3 mths	£480.75	+4.5	£477.625
Producers	$760		$760

	May 24 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$617.5y		$595
Groundnut	$560y		‡
Linseed Crude	£319y		‡
Palm Malayan	$427.5x		$432.5
Seeds			
Copra Phil	$420z	+5	$390
Soyabean (U.S.)	$254.3x		$253.8
Grains			
Barley Fut. Sep	£110.65	+0.40	£111.00
Maize	£147.00y		£146.00
Wheat Fut. Sep	£117.10	—0.05	£157.10
No2 Hard Wint	‡		‡
Other commodities			
Cocoa ship't*	£1457	—10	£1351.5
Fut. July	£1416	—10.5	£1305.5
Coffee Ft. July	£1683.5	—8.5	£1666.5
Cotton A. Index	83.35c	—0.15	80.60c
Gas Oil June	$299.5	—2.5	$247.75
Rubber (kilo)	75.25p	+0.75	73p
Sugar (Raw)	£168yw	+8	£119
Woolt'ps 64s	386p kilo		384p kilo

‡ Unquoted. x June. w July. y May-June. z June-July. † Per 76lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.50	—0.05
Iranian Light	27.75-27.90	—0.05
Arabian Heavy	25.90-26.05	—0.05
North Sea (Forties)	29.15-29.50	—0.10
North Sea (Brent)	29.29-29.65	—0.15
African (Bonny L'ht)	29.60-29.85	—
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	299-305	—
Gas oil	237-246	—
Heavy fuel oil	161-165	—

GAS OIL FUTURES

Prices were about $2 lower on the opening, reflecting the New York close. Light selling put pressure on the market during the morning but it later moved up from the lows and traded in a narrow range for the rest of the day, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
May	240.50	—1.50	243.00-42.50
June	239.50	—9.50	240.75-38.50
July	239.00	—2.50	240.00-38.00
Aug	241.00	—2.50	242.00-38.75
Sept	242.75	—2.75	244.25-41.75
Oct	245.25	—3.25	247.00-44.50
Nov	247.75	—3.75	249.50-48.50
Dec	251.00	—3.75	252.00-55.00
Jan	253.25	—0.75	—

Turnover: 1,710 (2,739) lots of 100 tonnes.

GOLD MARKETS

Gold rose $3 to $436-437 on the London bullion market. It opened at $437-438, and was fixed at $437.25 in the morning, and $436.80 in the afternoon. The metal touched a peak of $438-$438½, and a low of $435¾-436¼.

In Paris the 12½ kilo bar was fixed at FFr 105,500 per kilo ($439.15 per ounce) in the afternoon, compared with FFr 105,500 ($439.42) in the morning, and FFr 105,200 ($439.97) Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,045 per kilo ($437.98 per ounce), against DM 35,080 ($440.86), and closed at $436½-437½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $437.25 per ounce.

In Zurich gold finished at $436-439.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
June	434.10-37.2	+2.200	433.80-36.30
July	440.00-40.5	+3.550	—
August	443.60-44.2	+3.900	446.00-43.0
Sept	446.60-47.5	+2.850	—
Oct	450.50-51.0	+3.000	452.00-51.5
Nov	463.00-54.0	+2.500	—
Dec	456.03-57.2	—	458.00-58.5

Turnover: 423 (1,441) lots of 100 troy ounces.

EUROPEAN MARKETS

BRITISH COMMODITY MARKETS

BASE-METAL PRICES were quietly firm on the London Metal Exchange despite the rise in sterling. Copper traded between £1,140 and £1,149 prior to closing the late kerb at £1,144 while Lead was finally £288.5 and Zinc £480.5. Tin was actively traded around £8,710 to £8,715 and ended the day at £8,713.5 while Aluminium and Nickel closed at £388.5 and £3,262.5 respectively.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1119-.5	+10	1115.5-6.5	+5
3 months	1148.5-9	+10	1145-.5	+6
Settlem't	1119.5	+10	—	—
Cathodes				
Cash	1084.5-5	+10.5	1077.5-8	+.25
3 months	1114.5-5	+11.5	1107.5-8	—
Settlem't	1085	+10	—	
U.S. Prod.	—	—	*84-87	

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,115.50, three months £1,147.0, 46.50, 47.00, 48.00, 49.00, 48.50, 49.00. Cathodes: Cash £1,085.00. Kerbs: Higher Grade, three months £1,148.50, 48.00. Afternoon: Higher Grade: Three months £1,147.00, 48.50, 46.00, 45.50, 48.00, 46.00, 45.50, 46.00. Cathodes: Three months £1,108.00. Kerb: Higher Grade, three months £1,144.00, 43.50, 43.00, 42.00, 41.00, 40.50, 41.00, 40.00, 39.50, 40.00, 40.50, 41.00, 41.50, 41.00. Turnover: 32,800 tonnes.

TIN

months £3,260, 65. Turnover: 2,514 tonnes.

SILVER

LME—Turnover: 109 (224) lots of 10,000 ozs. Morning: three months 865.5, 68.0, 65.6, 64.0. Kerb: three months 864.0. Afternoon: three months 858.0, 59.0, 58.9, 57.5, 58.0, 58.5. Kerb: three months 858.0, 57.0, 58.0.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficl	+ or —
Spot	843.95p	+23.8	836.5p	+14.2
6 months	864.70p	+24.3	858.3p	+14.8
3 months	885.75p	+24.2	—	—
12 months	924.79p	+24.2	—	—

Silver was fixed 23.85p an ounce higher for spot delivery on the London bullion market at 843.05p. U.S. equivalents of the fixing levels were: spot $13.24, up 51.1c; three-month $13.545, up 51.6c; six-month $13.849, up 52.3c; and 12-month $14.423, up 52.8c. The metal opened at 846-848½p ($13.24-13.28), and closed at 839½-842p ($13.18-13.22).

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse 1950/2020.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 1.58/1.68.

AMERICAN MARKETS

NEW YORK, May 24

... rallied from sizeable early losses on steady commission house buying aided by arbitrage positions. Heating oil closed lower as recent price advances created buyer resistance followed by speculative selling. Heavy profit-taking affected the sugar market as speculative liquidation and technical selling began to enter the market; after limit gains the market finished lower for the day. Coffee prices rose sharply ... profit-taking in the absence of any manufacturer interest. Cotton prices were mostly lower on forecasts of continued good weather in the major growing areas. A late short-covering rally in soyabeans and wheat moved all grain markets higher; profit-taking and local and professional buying produced impressive gains with only maize lagging behind, reported Heinold Commodities.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	2154	—	—	2186
July	2044	2075	2040	2082
Sept	2083	2104	2076	2115
Dec	2108	2135	2105	2147
March	2133	2166	2130	2165
July	2178	—	—	2211

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	133.36	133.80	130.50	131.01
Sept	1285.6	129.73	127.50	127.75
Dec	127.70	127.70	125.75	125.54
March	124.60	125.00	122.76	122.38
May	122.33	122.50	122.00	118.01
July	118.50	117.25	117.26	116.88
Sept	117.00	117.00	116.00	116.25

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	10.78	11.48	19.75	11.00
Sept	11.24	11.85	11.20	11.40
Oct	11.50	12.11	11.46	11.61
March	12.71	13.22	12.70	12.72
May	13.00	13.53	13.00	13.03
July	13.39	13.82	13.35	13.36
Sept	13.54	14.03	13.85	13.53
Oct	13.79	14.20	13.50	13.70

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	66.35	66.77	66.10	66.67
August	62.30	63.00	62.25	62.87
Oct	59.30	59.90	59.27	59.82
Dec	60.27	60.75	60.20	60.75
Feb	60.32	60.75	60.30	60.65
April	61.50	61.70	61.25	61.65

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	Treasury 9¼pc '83	99	......	10.26	10.26
101	100	Exch 13½pc '83	101	+	13.29	10.07
100	98	Exch 10pc 1983	100xd	+	10.00	10.03
97	96	Funding 5½pc '82-84‡‡	97	....	3.66	10.06
101	99	Exch. 11¼pc 1984	100	....	11.10	10.22
104	102½	Exchequer 14pc 1984	103	–	13.55	10.33
95	92½	Exch. 3pc 1984	95xd	....	3.15	7.70
102	100	Treasury 12pc 1984	102	....	11.75	10.17
107	105	Treasury 15pc 1985	106	+	14.05	10.61
107	101	Exch. 12pc Cnv. '85	103	+	11.57	9.66
90	88	Treasury 3pc 1985	90	+	5.30	8.04
102	99	Treasury 11½pc 1985	101	+	11.36	10.63
102	95	Treas 8¼pc Cnv '85	96	+	9.03	10.27
103	100	Exch 12¼pc 1985	102	+	11.90	10.84
102	99	Exch 11¾pc '86	101	+	11.53	10.88
88½	85	Treasury 3pc 1986	86	+	3.45	8.05
101	99	Exch. 10½pc Cv '86	100	+	10.49	10.44
103	100	Treasury 12pc '86	102xd	....	11.69	10.94
97	94	Treasury 8¼pc '84-86‡‡	95	......	8.92	10.31
112	103	Treas 12¾pc '86 Cnv.	108	....	11.25	0.94
104	105½	Exch. 14pc 1986	108	+	12.94	11.10
107	103	Exch 13¼pc 1987	106	+	12.47	11.12
84	81	Exchequer 2½pc 1987	82	+	3.07	0.45
100	95	Exch 10½pc 1987	98	+	10.67	11.00
91	97	Exch 10½pc 1987A	98	+	10.68	11.04
91	89	Funding 6½pc '85-87‡‡	89	....	7.28	9.85
81	81	Treasury 3pc 1987	01	....	3.70	8.55
104	99	Treas 12pc 1987	102	+	11.67	11.18
93	89	Treasury 7¾pc '85-88‡‡	90	....	8.59	10.43
101½	95½	Exch 10½pc '88	97	+ ¼	10.73	11.09

Five to Fifteen Years

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
81½	75¾	Transport 3pc '78-88	78½	+ ¼	3.88	0.58

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99½	94¼	Aust 6pc 1981-83	97¾xd	...	6.15	10.65
70	74	N.Z. 7½pc 1988-92	77		9.66	11.89
97	88	Do 7½pc '83-86	89½xd		8.35	11.50
168	158	S. Rhod 2½pc Non-Ass	168		—	—
80	74	Do 3½pc 80-85 Assd	88		4.40	11.65
54	44	Do 4½pc 87-92 Assd	50	....	9.17	14.61
390	321	Zimbabwe Ann (I 100pa)	360	....	—	16.34

LOANS

Public Board and Ind.

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
77	72	Agric. Mt. 5pc '59-89	75½		6.79	11.02
34	31	Met. Wtr. 3pc 'B'	34		8.92	11.63

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. & LEASING

1983 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
245	190	ANZ SA1	245	+7	028c	3.1	6.7	4.8
295	253	Alexanders D. £1	260	+2	20.0	—	11.0	—
£93	166	Algemene Fl 100	£83	–2	v026%	1.8	7.6	7.3
137	90	Allied Irish	137	+3	045.3%	9.0	7.1	4.5
110	77	Arbuthnot H 150c	77		3.5	—	6.5	—
300	255	Bk. Ireland £1	295xd	+10	029%	—	0.5	—
3½	2	Bank Leumi	3	+½	—	—	—	—

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
346	344	Initial	359	.....	†10.75	2.5	4.3	11.1
45	27	Inter-City 20p	35	+1	—	—	—	—
180	158	Intervaltor Tern Svs 20p	178	.....	u4.8	1.8	3.2	24.7
208	165	Jacksons Bourne	175	.....	3.0	3.1	4.1	11.3
28½	14	James Inds. 10p	26	.....	1.25	ф	7.8	ф
160	118	Jardine M HK$5	110	−5	Q80c	ф	7.1	ф
34	18	Jenks & Cattell	31	+1	1.06	ф	4.9	ф
348	282	Johnson Clnrs.	302	+3	10.8	2.8	5.1	8.5
340	293	Johnson Mthy. £1	322	+2	10.0	1.9	4.4	(14.1)
353	228	Johnston Grp. 10p	353xd	.....	6.0	5.0	2.4	11.8
102	87	Jourdan (T.) 10p	98	.....	5.6	1.2	8.2	13.6
59	39	Kalamazoo 10p	51	.....	2.5	0.9	7.0	22.8
218	140	Kelsey Inds.	170	.....	8.0	1.7	6.7	11.7
140	110	Kershaw (A.) 5p	135	.....	15.0	0.6	15.9	(20.3)
54	39	Kleen-E-Ze Hldgs.	53	.....	t3.0	0.2	8.1	—
•74	52	L.C.P. Hlds	69	.....	3.6	0.6	7.5	(18.3)
136	103	L.R.C. Int. 10p	124	+2	t3.1	2.0	3.6	20.9
30	17	Lamont Hldgs. 10p	28	.....	1.3	1.8	6.6	11.0
39	26	Lawtex	39	+1	—	—	—	—
410	350	Lep Group 10p	365	+13	17.5	1.7	6.8	(10.7)
36	22	Lilleshall 10p	33	.....	d1.0	—	4.3	—
700	125	Lon. & Liv. 10p	135xd	−10	5.5	ф	5.8	ф
128½	102	London & Midl'd	126	.....	7.75	1.1	8.8	(15.8)
80	55	Lon. & Nthn. Grp.	78	−1	†3.75	2.1	6.9	8.3
40	27	♣Lon. Prov. Health	27	.....	—	—	—	15.5
9½	7½	Long Hmbly. 10p	9½	.....	48—	—	—	—
65	46	Longton Inds.	55	.....	1.0	—	2.6	—
110	70	Low & Bonar 50p	92	−2	3.0	0.6	7.8	(30.6)
26	16	M.Y. Dart. 10p	20	.....	0.1	—	0.7	—
212	138	M'c'rthy Ph. 20p	139	.....	7.0	2.5	7.2	6.9
146	128	Macfarlane Gp.	141	.....	3.52	2.1	3.6	17.2
46	40	Maclellan 20p	40xd	.....	d1.5	1.6	5.4	14.4
63	48	Macpherson (D.)	58	.....	4.2	0.6	10.3	(34.2)
54	41	Magnolia Group	54	.....	2.3	3.2	6.1	6.3
180	65	Man. Ship Can. £1	135	−0	3.5	6.8	3.8	4.1
73	48	Marley	63	−1	2.5	0.5	5.7	(48.3)
37½	30½	Marling Ind. 10p	37	.....	1.08	6.7	4.2	3.8
33	25	Marshall L'xy. 'A'	32	.....	1.2	—	5.4	—

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
175	118	Boosey & Hawkes	172	.....	2.3	ф	1.9	ф
61	40	Campari Int. 20p	50	.....	d2.73	ф	7.8	ф
32	25	Fairline Boats 10p	29	.....	†d1.0	—	5.0	—
16½	14½	GRA Group 5p	15	.....	—	—	—	19.5
50	45	Grampian TVA 10p	54	.....	3.6	ф	10.0	ф
163	136	HTV Non/Vtg.	151	.....	11.0	2.0	10.4	6.7
222	145	Horizon	157	−1	3.6	5.7	3.3	6.8
134	91	Intasun 10p	127	.....	3.5	4.8	3.9	6.5
168	139	LWT "A"	140	+1	11.00	1.1	11.3	11.3
378	187	♣Leisure Inds.	340	.....	♦46.0	3.0	2.5	16.1
•147	101	Leisuretime Int 10p	105	−1	g1.54	ф	2.1	ф
328	108	Mngmt. Ag. M. 10p	113	.....	0.75	1.6	11.4	8.0
60	52	Mediminster 10p	54	.....	†4.0	0.8	10.6	17.8
128	53	♣Nimslo Int 20c	88	+15	—	—	—	—
108	45½	Norton Opax. 10p	105	.....	t2.17	0.5	2.9	—
29	22½	♣Owners Abroad	23½	.....	0.5	ф	3.0	ф
47	36	Photax (Lon.)	36	.....	—	—	—	—
153	90	♣Peoples Bwer Sl 10p	92	.....	ud1.5	2.1	2.3	22.7
335	217½	Pleasurama 5p	325	+12	t5.75	4.5	2.5	19.5
173	108	♣Radio City '&' NV	165	.....	g5.6	1.6	4.9	17.7
207	138	Riley Leisure 10p	167	−1	3.95	1.7	3.4	23.1
132	84	Saga Hols. 20p	127	−5	d3.73	—	4.2	—
515	545	Samuelson Grp 20p	460	.....	♦d12.0	2.8	3.8	15.8
108	94	Scott. TV 'A' 10p	100	.....	7.35	2.2	10.5	6.1
68	28	♣SelecTV 10p	33	−1	—	—	—	—
16½	15½	TSW 5p	16	.....	0.9	3.3	8.0	5.4
43	30	♣TVS N/Vtg 10p	33	.....	—	—	—	—
29	19	♣Television Servs 10p	20	.....	b0.2	3.3	1.4	30.0
104½	64	Trid'nt TV 'A' 10p	82	+4½	♦4.26	1.4	7.4	14.0
180	110	♥21st Century Dist	110	.....	—	—	—	—
24	15	Webb (Jos.) 5p	10	.....	d0.51	0.3	4.1	—
85	78	Zetters 5p	79	.....	2.75	2.9	5.0	10.0

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	210	Falcon Rh.50c	246	.....	Q70c	ф	21.9
21	16	Wankie Col. Z$1	21	.....	Q5c	0.7	14.0
28	18	Zam.Cp. SBD0.24	23	−1	—	—	—

Australians

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
•28½	13½	♥ACM 20c	10	+½	—	—	—
For Argosy Gld. Mines see Southern Ventures							
25	11	Balmoral Resources	20½	−1½	—	—	—
60	42	♥Black Hill Mins.	50	.....	—	—	—
74	52	♥Bond Corp.	56½	+1½	gQ10c	2.3	10.9
156	116	♥Bougainville 1 Kina	147	−1	Q3.42c	1.2	1.4
•300	204	♥CRA 50c	290	+5	tQ3c	—	0.6
145	60	♥Carr Boyd 20c	87	+2	—	—	—
35	10	♥Central Pacific	25	+1	—	—	—
350	210	♥Crusader Oil	335	−10	—	—	—
15	8	♥Cultus Pac NL	9	.....	—	—	—
19	7	♥Eagle Corp 10c	15½	+1	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
170	115	Admiral Mines	130	.....	—	—	—
90	34	♥Anglo-Dominion	60	.....	—	—	—
93	54	♥Anglo Utd. Dev.	90	−3	—	—	—
135	60	♥Colby Res Corp.	85	.....	—	—	—
485	315	Cons. Murch. 10c	425	−5	tQ60c	1.9	‡
5½	3	‡‡Explaura Gol4	3	.....	—	—	—
155	103	♥Highwood Res.	120	.....	—	—	—
£22½	£18	Homestake Mining $1	£22⅛	+½	Q40c	—	1.2
495	360	Northgate C$1	400	−5	—	—	—
614	455	R.T.Z.	582	+4	16.0	1.9	3.9
£130	£108	Do 9½% Cv Ln 95-2000	£129½	+1	Q9½%	21.4	†8.0
390	13	♥Sabina Inds C$1	170	−10	—	—	—
18½	12½	‡Southwest Res 10p	17½	−½	—	—	—
600	312	♥Yukon Expln S1	585	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

Bowaters	19	London Brick	8	Peachey	16
Brit. Aerospace	20	Lucas Inds.	15	Samuel Props.	18
B.A.T.	65	"Mams"	12	Town & City	3
Brown (J.)	5	Mrks. & Spncr	20	**Oils**	
Burton Ord.	35	Midland Bank	35	Brit. Petroleum	32
Cadburys	11	N.E.I.	10	Burmah Oil	18
Courtaulds	8½	Nat. West. Bank	50	Charterhall	5
Debenhams	12	P & O Dfd.	14	KCA	8
Distillers	22	Plessey	50	Premier	4
Dunlop	6	Racal Elect.	45	Shell	45
Eagle Star	35	R.H.M.	6	Tricentrol	19
F.N.F.C.	4½	Rank Org. Ord.	17	Ultramar	48
Gen. Accident	40	Reed Intnl.	28	**Mines**	
Gen. Electric	22	Sears	9	Charter Cons.	28
Glaxo	90	T.I.	16	Cons. Gold.	50
Grand Met.	32	Tesco	14	Lonrho	8½
G.U.S. "A"	55	Thorn EMI	50	Rio T. Zinc	55
Guardian	42	Trusthouse	20		
G.K.N.	16	Turner & Newall	4½		
Hawker Sidd	34	Unilever	80		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 29

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling firm on election sentiment

Sterling was very firm on the foreign exchanges yesterday, reflecting market expectations of a win by the Conservatives in next month's general election. The pound gained ground against the dollar and other major currencies as speculation increased that the Tory lead may be too great for the other parties to overtake before June 9.

The dollar remained firm overall, but showed little change against most currencies, despite continuing nervousness about interest rates after recent disappointing money supply figures.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. April average 1.5421. Trade-weighted index 85.2 against 85.1 at noon, 84.7 in the morning, 84.3 at the previous close, and 86.6 six months ago. Sterling has been much steadier of late as oil price worries have faded into the background. Election nerves have left the pound looking vulnerable at times but the large lead of the Conservatives in the opinion polls is acting as a sedative.

Sterling rose 1.30 cents to $1.5685-1.5695, after trading in a range of $1.5625 to $1.5735. It also improved to DM 3.91 from DM 3.87; to FFr 11.7175 from FFr 11.6250; to SwFr 3.2650 from SwFr 3.24; and to Y371 from Y367. The trade-weighted index finished at the highest level since early January.

DOLLAR—Trade-weighted index (Bank of England) 123.3 against 123.3 six months ago. The dollar has remained firm as recurring hopes of a steady reduction in the Federal Reserve discount rate have been repeatedly dashed. Signs of U.S. economic growth and inconsistent money supply figures again threaten to disappoint the market, which had been hoping for a lowering of the discount rate ahead of the Williamsburg Summit.

The dollar rose to DM 2.49 from DM 2.4870, after touching a peak of DM 2.4950, equal to the highest level touched this year. It also advanced to Y236.30 from Y235.75, but fell to SwFr 2.0790 from SwFr 2.0815, and to FFr 7.47 from FFr 7.4725.

D-MARK — Trading range against the dollar in 1983 is 2.4950 to 2.3320. April average 2.4413. Trade-weighted index 128.7 against 126.2 six months ago. The D-mark showed signs of recovery recently, after staying weak against its EMS partners following the realignment of the system in late March. Doubts that U.S. interest rates will fall as once hoped have transferred attention away from the EMS however, and back towards the strengthening dollar.

The Bundesbank sold $19.5m as the D-mark lost ground to the dollar at the Frankfurt fixing. Trading tended to wind down early because of a local holiday, but the dollar rose steadily and was fixed at DM 2.4890, the highest level since late November. The market was closed on Monday for the Whitsun holiday, but the previous fixing on Friday was at DM 2.4755. Sterling was also very strong, rising to DM 3.9070 at the fixing.

DUTCH GUILDER — Trading range against the dollar in 1983 is 2.7975 to 2.5755. April average 2.7509. Trade-weighted index 117.5 against 117.7 six months ago. The guilder has been a little disappointing since the last EMS realignment, when it was effectively adjusted downwards against the D-mark. This has turned the spotlight on to a very large budget deficit, with a healthy current account surplus and low inflation failing to hold the guilder. It has touched a record low against the D-mark, prompting some central bank support and slightly firmer interest rates.

The guilder was weaker against the dollar and sterling at the Amsterdam fixing, and also eased slightly against the D-mark and French franc. The dollar rose to Fl 2.7945 from Fl 2.7795, and sterling to Fl 4.3830 from Fl 4.3230. The D-mark improved to Fl 1.1229 from Fl 1.12285, and the French franc to Fl 37.42 per 100 francs from Fl 37.385.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.2965	+0.88	+0.68	±1.5447
Danish Krone ...	8.14104	8.10651	−0.42	−0.64	±1.6425
German D-Mark	2.24184	2.27018	+1.26	+1.04	±1.0642
French Franc ...	6.87456	6.81193	−0.91	−1.13	±1.4052
Dutch Guilder ...	2.52595	2.54927	+0.92	+0.70	±1.4964
Irish Punt ...	0.72569	0.718613	−0.98	−1.20	±1.6699
Italian Lira ...	1403.49	1349.11	−3.87	−3.87	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

May 24	£	$		£ Note Rates
Argentina Peso...	124,722-124,922	79,480-79,580	Austria	27.40-27.70
Australia Dollar..	1.7780-1.7800	1.1330-1.1336	Belgium	77.75-78.60
Brazil Cruzeiro...	755.79-759.79	471.93-474.29	Denmark	13.90-14.03
Finland Markka...	8.5590-8.5845	5.4575-5.4565	France	11.57-11.77
Greek Drachma...	130.125-133.495	83.75-84.05	Germany	3.88½-3.93½
Hong Kong Dollar	11.08¼-11.12¼	7.065-7.585	Italy	2285-2330
Iran Rial	152.50*	85.50*	Japan	369-374
Kuwait Dinar (KD)	0.4575-0.4585	0.29145-0.29155	Netherlands	4.37-4.41
Luxembourg Fr.	77.85-77.05	49.64-49.65	Norway	11.18-11.28
Malaysia Dollar..	3.6050-3.6150	0.2980-2.3000	Portugal	150-159
New Zealand Dlr.	2.3660-2.3710	1.5075-1.5095	Spain	204¼-218¼
Saudi Arab. Riyal	5.4195-5.4860	3.4500-3.4515	Sweden	11.75-11.85
Singapore Dollar	3.36-3.39	2.0900-2.0920	Switzerland	3.26-3.29
Sth. African Rand	1.5915-1.5950	1.0780-1.0790	United States	1.56-1.58
U.A.E. Dirham	5.7685-5.7740	3.6720-3.6750	Yugoslavia	128¼-150

*Selling rates.

CURRENCY MOVEMENTS

May 24	Bank of England Index	Morgan Guaranty Change %
Sterling	85.2	−35.9
U.S. dollar	123.5	+12.4
Canadian dollar	90.8	−17.6
Austrian schilling	119.9	+29.9
Belgian franc	93.5	−0.0
Danish kroner	82.8	−11.4
Deutsche mark	128.7	+56.5
Swiss franc	150.7	+106.0
Guilder	117.5	+26.6
French franc	58.7	−25.5
Lira	51.7	−59.4
Yen	147.5	+40.9

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average).

CURRENCY RATES

May 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.687575	0.581898
U.S. $	8½	1.07965	0.919852
Canadian $	9.38	*	1.12665
Austria Sch	3¾	18.9194	15.9894
Belgian F	9½	N/A	45.2965
Danish Kr	7½	0.59251	8.10651
D mark	4	N/A	2.27018
Guilder	4½	3.01703	2.54927
French F	9½	8.06700	6.81193
Lira	17	1596.23	1349.11
Yen	5½	253.757	214.881
Norwgn Kr	9	N/A	6.61715
Spanish Pta	—	N/A	126.720
Swedish Kr	8½	8.11234	6.86809
Swiss Fr	4	2.24811	1.89874
Greek Drch	20½	91.0574	76.6433

*C$/SDR rate for May 23: unavailable.

THE POUND SPOT AND FORWARD

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5625-1.5735	1.5685-1.5695	0.18-0.13c pm	1.18	0.40-0.35 pm	0.96
Canada	1.9350-1.9420	1.9365-1.9375	0.15-0.05c pm	0.62	0.37-0.27 pm	0.66
Nethlnd.	4.37½-4.40½	4.38½-4.39½	2-1½c pm	4.79	5-4½ pm	4.32
Belgium	77.75-78.15	77.85-77.95	6c pm-4 dis	0.15	5 pm-2 dis	0.15
Denmark	13.92-13.97	13.93½-13.94½	2¼-1ore pm	1.40	3½-2 pm	0.77
Ireland	1.2330-1.2400	1.2360-1.2370	0.50-0.63p dis	−5.48	1.31-1.55dis	−4.62
W. Ger.	3.88½-3.92	3.90½-3.91½	2¼-1½pf pm	5.75	5½-4¾ pm	5.24
Portugal	155.50-157.50	156.25-157.25	370-1555c dis	−73.68	740-2320dis	−39.04
Spain	217.25-218.25	217.90-218.10	215-275c dis	−13.49	700-790dis	−13.67
Italy	2,318-2,323	2,319½-2,321½	8½-10½lire dis	−4.91	30-34 dis	−5.52
Norway	11.19-11.23	11.20-11.21	2½-3½ore dis	−3.08	5½-9½ dis	−3.17
France	11.70½-11.74½	11.71¼-11.72¼	2-3c dis	−2.56	9-10½ dis	−3.33
Sweden	11.76½-11.80½	11.77½-11.78½	¼-1ore dis	−0.70	2¼-2¾ dis	−0.85
Japan	368-372	370½-371½	1.40-1.20y pm	4.20	3.70-3.50 pm	3.88
Austria	27.42-27.57	27.47-27.52	14½-12¼gro pm	5.95	38½-34½ pm	5.40
Switz.	3.25½-3.28½	3.26-3.27	1⅞-1⅝c pm	5.97	4⅞-4⅝ pm	5.35

Belgian rate is for convertible francs. Financial franc 77.95-78.05. Six-month forward dollar 0.70-0.65c pm. 12-month 1.10-1.00c pm.

THE DOLLAR SPOT AND FORWARD

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5625-1.5735	1.5685-1.5695	0.18-0.13c pm	1.15	0.40-0.35 pm	0.96
Ireland†	1.2665-1.2710	1.2680-1.2690	0.86-0.56c pm	6.78	1.75-1.60 pm	5.27
Canada	1.2340-1.2353	1.2345-1.2350	0.05-0.08c dis	−0.63	0.09-0.12dis	−0.34
Nethlnd.	2.7915-2.8000	2.7965-2.7985	0.88-0.78c pm	3.56	2.40-2.30 pm	3.36
Belgium	49.73-49.72	49.64-49.66	3-5c dis	−0.97	10-14 dis	−0.97
Denmark	8.8775-8.9000	8.8900-8.9000	0.40ore pm-0.30dis	0.07	0.15pm-0.60d	−0.11
W. Ger.	2.4825-2.4950	2.4895-2.4905	0.94-0.89pf pm	4.47	2.63-2.58 pm	4.18
Portugal	99.00-100.50	99.50-100.00	250-1000c dis	−75.11	400-1400dis	−36.05
Spain	138.65-138.95	138.80-138.90	150-190c dis	−14.70	470-540dis	−14.56
Italy	1,478¼-1,479½	1,478½-1,479½	7¼-8lire dis	−6.19	24-25 dis	−6.63
Norway	7.1370-7.1450	7.1400-7.1450	2.60-3.20ore dis	−4.87	7.20-7.80dis	−4.20
France	7.4625-7.4750	7.4675-7.4725	2.25-2.40c dis	−3.73	7.80-8.20dis	−4.28
Sweden	7.5050-7.5180	7.5090-7.5140	1-1½ore dis	−2.00	3.10-3.60dis	−1.78
Japan	235.25-236.70	236.25-236.35	0.63-0.53y pm	2.94	1.73-1.63 pm	2.84
Austria	17.50-17.53½	17.52-17.53	7½-6½gro pm	4.98	20¼-18¼ pm	4.45
Switz.	2.0755-2.0840	2.0785-2.0795	0.74-0.69c pm	4.13	2.28-2.23 pm	4.34

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.68-49.78.

EXCHANGE CROSS RATES

May. 24	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.569	3.910	371.0	11.718	3.265	4.390	2321.	1.937	77.90
U.S. Dollar	0.637	1.	2.492	236.5	7.468	2.081	2.798	1479.	1.235	49.65
Deutschmark	0.256	0.401	1.	94.88	2.997	0.835	1.123	593.5	0.495	19.92
Japanese Yen 1,000	2.695	4.229	10.54	1000.	31.58	8.801	11.83	6256.	5.221	210.0
French Franc 10	0.853	1.339	3.337	316.6	10.	2.786	3.747	1980.	1.653	66.48
Swiss Franc	0.306	0.481	1.198	113.6	3.589	1.	1.345	710.7	0.593	23.86
Dutch Guilder	0.228	0.357	0.891	84.51	2.669	0.744	1.	528.5	0.441	17.74
Italian Lira 1,000	0.431	0.676	1.683	159.0	5.050	1.407	1.892	1000.	0.835	33.57
Canadian Dollar	0.515	0.810	2.019	191.5	6.049	1.686	2.265	1198.	1.	40.22
Belgian Franc 100	1.284	2.014	5.010	476.3	15.04	4.191	5.639	2979.	2.487	100.

MONEY MARKETS

Mood improves in London

UK clearing bank base lending rate 10 per cent (since April 15 and 18)

Interest rates had a slightly easier tone on the London money market yesterday, with the yield curve maintaining an upward slope as very short term money softened on the forecast of a small day-to-day credit shortage by the Bank of England.

Seven-day funds declined to 10⅛-10⅜ per cent from 10½-10⅝ per cent, three-month to 10 7/16-10 9/16 per cent from 10½-10⅝ per cent; while 12-month showed only a slightly easier trend at 10 7/16-10 9/16 per cent, compared with 10 7/16-10⅝ per cent on Monday.

Although there is little expectation of a general fall in London interest rates ahead of the election, particularly in the light of recent events in the U.S., where both the money supply and economic activity have recorded unexpected growth, overall sentiment remains good.

The situation would be very different if the Conservatives were not expected to win the election, but with the pound steadily recovering against all currencies including the dollar, and the opinion polls pointing towards another term of office for Mrs Thatcher, the market remains quietly confident.

A shortage of only £100m was forecast for the market yesterday, although some observers expected a larger figure, and the underlying factors seemed to suggest a bigger shortage. A fall in the note circulation added £30m to market liquidity, but this was outweighed by bills maturing in official hands, and a take-up of Treasury bills by the market of £217m.

The official shortage was underlined however, when the Bank of England provided help of only £55m through outright purchases of bank bills, and overnight money fell to a low of 7½ per cent, before finishing at 11 per cent.

Before lunch the authorities bought £39m bills by way of £26m in band 2 (15-33 days maturity) at 10 per cent; £10m in band 3 (34-63 days) at 9 15/16 per cent; and £3m in band 4 (64-84 days) at 9⅞ per cent.

In the afternoon another £16m bills were purchased, through £15m in band 2 at 10 per cent, and £1m in band 4 at 9⅞ per cent.

LONDON MONEY RATES

May 24 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7½-11	10-10¼	—	—	9¼-10¼	5-10	—	—	—
2 days notice	—	—	10⅛-10¼	—	—	—	—	—	—	—
7 days or ...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10¼-10⅜	10⅛-10¼	—	—	10⅛-10⅜	10-10⅛	—	—	—
One month	10⅜-10¼	10 5/16-10 7/16	10¼	10¾-10⅜	10¼	10⅛-10⅜	10-10⅛	10-10 1/32	10 1/16	10 11/16
Two months	10 3/16-10¼	10 5/16-10 7/16	10¼	10¾-10⅜	10⅜	10⅜	9⅞-10	9 15/16	9 31/32	10⅞
Three months	10 7/16-10 5/16	10 5/16-10 9/16	10¼	10¾-10⅜	10 7/16	10⅜	9¾	9⅞-9 15/16	9 15/16	10 13/16
Six months	10 7/16-10⅜	10 7/16-10 9/16	10¼	10¼-10	10 7/16	—	—	—	9¾	10¼
Nine months	10 7/16-10⅜	10⅜-10⅝	10¼	10⅜-10⅜	10⅜	—	—	—	—	—
One year	10¼-10 7/16	10 7/16-10 9/16	10¼	10⅜-10⅜	10⅜	—	—	—	—	—
Two years	—	—	10⅜	—	—	—	—	—	—	—

ECGD Rate Export Finance Scheme IV Average Rate for interest period April 5 to May 3 1983 (inclusive): 10.304 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅞ per cent; four years 11 per cent; five years 11¼ per cent ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four month bank bills 9⅞ per cent; four months trade bills 10⅜ per cent.

Approximate selling rate for one month Treasury bills 9 29/32-10 per cent; two months 9 29/32-9 27/32 per cent; three months 9¾-9 25/32 per cent. Approximate selling rate for one month bank bills 10 1/32 per cent; two months 9 31/32 per cent and three months 9⅞ per cent; trade bills one month 10 7/16 per cent; two months 10⅜ per cent and three months 10 5/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11 per cent from May 1 1983. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rates for sums at seven days' notice 6¾ per cent.

Treasury Bills: Average tender rates of discount 9.8191 per cent. Certificates of Tax Deposit (Series 5). Deposits of £100,000 and over held one month 10½ per cent; one-three months 10¼ per cent; three-six months 10¼ per cent; six-12 months 10¼ per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 3-5 10¼ per cent. The rates for all deposits withdrawn for cash 9 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES
(Market closing rates)

May 24	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	10¼-10⅜	10¼-10⅜	10 5/16-10 7/16	10 7/16-10 9/16	10 7/16-10 9/16	10⅜-10½
U.S. Dollar	8⅝-8⅞	8¾-9	8⅞-9⅛	9⅛-9⅜	9¼-9½	9 7/16-9 11/16
Can. Dollar	10-11	9½-10¼	9⅜-9⅝	9⅜-9⅝	9½-9¾	9⅝-9⅞
D. Guilder	5⅛-5¼	5⅜-5⅝	5½-5⅝	5¾-5⅞	5 13/16-5 15/16	5⅞-5⅝
S. Franc	4-4⅛	9⅛-10	5 3/16-5 5/16	4 11/16-5 1/16	5-5⅛	4 7/16-5 1/16
Deutschm'rk	4⅜-4⅝	4¾-4⅞	4⅞-5	5-5⅛	5⅛-5¼	5 5/16-5 7/16
Fr'nch Franc	12¼-19⅛	12¼-19⅛	19⅜-19⅞	13 11/16-15 5/16	15¾-19	17⅛-17¾
Italian Lira	14-15½	13⅛-14¾	14½-16	15½-19	15½-17	17¾-18⅛
Belg. Franc Conv.	9⅛-10	9½-10	9⅞-10⅜	10-10½	10¼-10¾	10½-11
Fin.	9¾-10¼	10-10¼	9⅞-10⅛	10-10¼	10⅛-10⅜	10⅜-10⅝
Yen	5 1/16-5 3/16	6 1/16-6¾	6 1/16-5⅜	5⅜-5 7/16	5 5/16-5 7/16	5⅜-5½
D. Krone	4-4⅛	5⅜-5¾	9¼-9¾	9¼-9⅝	10½-10⅞	11-11⅛
Asia $ (Sing.)	8⅞-9	8 13/16-9 1/16	8 15/16-9 1/16	9 3/16-9 5/16	9 5/16-9 7/16	9½-9⅝

FT LONDON INTERBANK FIXING
11.00 a.m. MAY 24

3 month U.S. dollars		6 month U.S. dollars	
bid 9 3/16	offer 9 5/16	bid 9 5/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	10½
Fed funds (lunch-time)	8¾-8⅞
Treasury bills (13-week)	8.48
Treasury bills (26-week)	8.50

GERMANY

Lombard	6.0
Overnight rate	5.025
One month	5.25
Three months	5.30
Six months	5.35

FRANCE

Intervention rate	12.5
Overnight rate	12.375
One month	12.5
Three months	12.5
Six months	12.625

JAPAN

Discount rate	5.5
Call (unconditional)	6.09375
Bill discount (3-month)	6.59375

SWITZERLAND

Discount rate	4
Overnight rate	3-4
One month	4⅞-5
Three months	4⅞-5

NETHERLANDS

Discount rate	4½
Overnight rate	4¼-5
One month	5⅛-5⅜
Three months	5¾-5⅞
Six months	5⅞-6⅛

$ CERTIFICATES OF DEPOSIT

One month	8.80-8.90
Three months	8.95-9.05
Six months	9.15-9.25
One year	9.20-9.40

LONG TERM EURO $

Two years	10⅛-10⅜
Three years	10⅝-11
Four years	11-11¼
Five years	11¼-11½

SDR LINKED DEPOSITS

One month	8 9/16-8 11/16
Three months	8 7/16-8 11/16
Six months	8⅝-9⅛
One year	9-9⅜

ECU LINKED DEPOSITS

One month	8 13/16-8 15/16
Three months	8 7/16-8 11/16
Six months	9⅛-9⅜
One year	9 13/16-10 1/16

FINANCIAL FUTURES

Gilts improve

Sterling interest rate contracts were buoyed by the continuing large lead of the Conservatives in the opinion polls ahead of the June 9 general election. This boosted sterling on the foreign exchanges, leading to a softening of London money market interest rates, and a rise in gilt cash and futures prices. The June contract on Liffe opened at 104-03, and closed at the day's peak of 104-10, compared with 103-23 on Monday, while cash prices of long-term gilts advanced by a similar amount.

The short sterling contract also met increased buying demand, but this was mostly for September delivery. Trading was within a narrow range of only 8 basis points. It opened at 90.03, and closed at 90.00, compared with 89.95 previously, losing ground from the opening level as the early decline in money market rates halted.

Eurodollar trading was also concentrated in the September month, as June nears its delivery date. The September price opened at 90.51, but like the three-month sterling contract finished below this level at 90.48, but above the previous settlement figure of 90.46. Trading was within a narrow range, with prices generally finishing at or near the lowest levels of the day.

The rise of 0.6 per cent in U.S. April consumer prices was in line with market expectations, but there were reports of some reluctance to take out new positions ahead of last night's Federal Open Market Committee meeting.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100 per cent

	Close	High	Low	Prev
June	90.79	90.85	90.78	90.74
Sept	90.48	90.53	90.48	90.46
Dec	90.37	90.33	90.27	90.25
March	90.08	90.10	90.06	90.04
June	89.92	—	—	89.83

Volume 2,076 (1,580)
Previous day's open int. 4,655 (4,187)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100 per cent

	Close	High	Low	Prev
June	89.89	89.93	89.89	89.83
Sept	90.00	90.07	89.98	89.95
Dec	89.94	90.02	89.94	89.89
March	89.86	89.96	89.85	89.78
June	89.63	—	—	89.55

Volume 856 (657)
Previous day's open int. 3,608 (3,513)

20-YEAR 12 per cent NOTIONAL GILT £50,000 32nds of 100 per cent

	Close	High	Low	Prev
June	104-10	104-10	104-01	103-23
Sept	103-31	103-31	103-23	103-12
Dec	105-16	105-16	105-13	105-01
March	105-03	—	—	104-21
June	104-26	—	—	104-07

Volume 1,515 (997)
Previous day's open int. 3,840 (3,744)
Basis quote (clean cash price of 15¼ per cent Treasury 1998 less equivalent price of near futures contract) par-6 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5707	1.5712	1.5690	1.5527
Sept	1.5665	1.5675	1.5640	1.5494
Dec	1.5640	1.5640	1.5611	1.5467

Volume 1,732 (955)
Previous day's open int. 2,390 (1,864)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.4027	0.4030	0.4023	0.4021
Sept	0.4073	0.4075	0.4068	0.4067
Dec	—	—	—	—

Volume 107 (74)
Previous day's open int. 619 (634)

SWISS FRANCS SwFrs 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4819	0.4810	0.4806	0.4797
Sept	0.4879	0.4879	0.4875	0.4862
Dec	—	—	—	—

Volume 76 (58)
Previous day's open int. 478 (482)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4246	0.4253	0.4245	0.4242
Sept	0.4279	0.4281	0.4279	0.4276
Dec	—	—	—	—

Volume 64 (82)
Previous day's open int. 371 (376)

CHICAGO

U.S. TREASURY BONDS (CBT) 8 per cent $100,000 32nds of 100 per cent

	Latest	High	Low	Prev
June	76-09	76-14	75-30	76-08
Sept	75-21	75-26	75-10	75-20
Dec	75-06	75-10	74-28	75-04
March	74-25	74-27	74-16	74-22
June	74-15	74-15	74-05	74-15
Sept	74-02	74-02	73-26	73-31
Dec	73-25	73-25	73-17	73-22
March	—	—	—	73-14
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
June	91.51	91.55	91.48	91.56
Sept	91.24	91.29	91.19	91.28
Dec	91.02	91.10	90.98	91.46
March	90.84	90.88	90.80	90.87
June	90.68	90.69	90.63	90.69
Sept	90.42	90.51	90.42	90.51
Dec	90.33	90.33	90.28	90.33
March	—	—	90.14	90.18

CERT. DEPOSIT (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
June	90.07	91.11	91.03	91.11
Sept	90.73	90.77	90.68	90.74
Dec	90.48	90.48	90.45	90.48

THREE-MONTH EURODOLLAR (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
June	90.54	90.58	90.48	90.55
Sept	90.24	90.26	90.10	90.23
Dec	90.00	90.02	89.96	90.00
Feb	—	—	—	—
March	89.97	89.81	89.76	89.80

STERLING (IMM) $e per £

	Latest	High	Low	Prev
June	1.5715	1.5735	1.5655	1.5665
Sept	1.5675	1.5705	1.5625	1.5650
Dec	1.5690	1.5680	1.5610	1.5630
March	1.5640	1.5680	1.5615	1.5615
June	—	—	—	—
Sept	—	—	—	—

GNMA (CBT) 8 per cent $100,000 32nds of 100 per cent

	Latest	High	Low	Prev
June	69-22	69-25	69-13	69-21
Sept	68-30	69-01	68-22	68-30
Dec	68-08	68-10	68-01	68-08
March	67-22	67-26	67-15	67-22
June	67-07	67-08	67-00	67-07
Sept	66-27	66-27	66-22	66-26
Dec	66-16	66-16	66-11	66-15
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

CONTRACTS AND TENDERS

YEMEN ARAB REPUBLIC

SANAA UNIVERSITY

INVITATION FOR PREQUALIFICATION BY GENERAL CONTRACTORS FOR THE CONSTRUCTION OF THE FACULTY OF ENGINEERING-SANAA UNIVERSITY

Sanaa University, Y.A.R. is intending to commence construction of the faculty of engineering (1st phase)—bilateral financing with the world bank—on the site at Sanaa University Campus, Wadi Dahr Road, Sanaa, Y.A.R.

Tender documents are nearly completed. The project consists of two parts which are the central facilities building and the civil engineering departments, besides the related external and landscaping works, such as utilities, sewage system, parking, roads and walkways. The gross area of this phase is about 13,500m² the buildings are of reinforced concrete skeletons with full cut stone facades. A selected group of prequalified general first class contractors and international companies will be invited to submit their tenders for the execution of the project.

General contractors of first class category and international companies can obtain the prequalification questionnaire from:

Education Projects Implementation Unit,
P.O. Box 96—Sanaa.
Telex 2405—EPIU

The completed prequalification questionnaire, together with supporting documents must be returned to the above mentioned address before Wednesday, June 15, 1983.

SECTION IV

FINANCIAL TIMES SURVEY

Malmö
AND SOUTHERN SWEDEN

ON TOP of the remarkable medieval clock in Lund Cathedral two knights do battle every day at noon. Sporting the colours of Sweden and Denmark they deliver as many blows as the clock strikes, before making way for a quieter religious scene.

Lund, once the religious capital of a region stretching from Iceland to Finland, the nearby city of Malmö — the third largest in the country — and the surrounding towns and villages of Skane (pronounced scon-eh) belonged for long centuries not to Sweden but to Denmark, and in many ways they are untypical of the rest of the country.

In contrast to the forests and mountains that cover much of Sweden the two countries of Malmöhuslan and Kristianstad, which make up tha southernmost province of Skane, are characterised by rolling fertile plains, sandy beaches, castles, menor bouses and small medieval towns.

Distinguished in the past from the rest of Sweden by a different geograpb, culture and bistory, it stands out today as one of the regions most affected by tha structural change that is overtaking the Swedish economy.

Outwardly the region still appears prosperous but, relative to the rest of the country, Skane has come off badly during the last decade. Weaknesses in the region's economic structure have been harshly exposed by the recession and it now has one of the highest rates of unemployment in the country.

Only the traditional problem regions in the north of the country have been harder bit by rising unemployment, prompting one local banker to claim in exaggerated style that *Skane is becoming the* "Sicily of Sweden." Such comparisons are misleading. The region can still count on a flourishing agricultural sector and a well-developed, expansive food processing and food technology industry to guarantee a certain economic stability.

At the sama time the region boasts some of the country's most innovative and fastest-growing companies in certain high-technology sectors and with a thriving research and development environment emanating from the university in Lund, the largest institution for research and higher education in Sweden, there are positive sign-posts to how the economy in southern Sweden can be developed over the next decade.

Despite its apparent prosperity Southern Sweden has fared badly in the last decade by comparison with other regions in the country. However, some imaginative initiatives are now being taken to tackle its problems

That said, however, Skane is still confronted by the problems of dealing with structural change and above all with the decline of certain key industrial sectors, such as the textiles, shipbuilding, rubber goods and building materials industries.

Towering above the city the massive gantry crane at Kockums' shipyard close to the inner harbour of Malmö is a *symbol both of the region's* earlier prosperity and its current decline. In the early part of the 1970s the Kockums yard was turning out giant supertankers with a speed and efficiency barely matched by any other shipyard in the world.

Two oil shocks and the crisis in world shipbuilding brought that activity to an abrupt end. Kockums has atill survived, although only as a part of the nationalised Swedish shipbuild*ing group,* Swedyards, and the years of heavy losses and dwindling orders bave meant a cut of one-third in its workforce.

A further reduction in its merchant shipbuilding capacity of 30 per cent is being implemented by tha end of 1984. Its current order book will be exbausted by tha first half of next year and clearly a big questionmark still hangs over the future of Malmö's biggest employer.

A worse fate has already overcome the second largest shipyard in the region. At Landskrona, a few miles north along the coast from Malmö, the Oresundsvarvet, which once employed more than 3,000 people in a town of only 37,000 inhabitants, will finally close its *gates in a couple of weeks' time.* The blow has been alleviated by some imaginative initiatives undertaken over the past two years to attract new jobs to the town, but the closure of such a yard inevitably still has far-reaching consequences for the surrounding economy.

The textiles and clothing industry was once an important activity in southern Sweden, bnt it has virtually disappeared with particular consequences for *female unemployment.* The rubber goods sector also ran into problems during the 1970s and the survivors in this branch bave only come through the recession by reducing employment, cutting production capacity and rigorously changing their products in the direction of greater specialisation.

The building materials and construction sector, which established itself in Skane towards the end of the last century because of tha substantial local limestone deposits, bas also run into difficulties because of the slump in new building in Sweden.

It is typical of Skane industries which in the past have been dependent to an unusual extent on the home market—compared with the rest of *Swedisb industry—and which in* the last ten years have been forced to seek their fortunes more and more in export markets.

Probably because of its agricultural history—with the rich soil as its most valuable natural resource—Skana has tended to be more inward-looking than other parts of the country and its industry—lacking a big machinery sector—less export-oriented.

In addition there is a greater preponderance of large companies in Skane than in tha rest of the country, which has made the economy less flexible during times of recession.

The results are clear. In absolute figures the county of Malmöhuslän had the highest *number of people out of work* in February at 19,000 of any county in Sweden. Even in percentage terms at 4.05 per cent the labour market was in a worse state than all but some of the hardest-hit areas in the north of Sweden. The national average was 3.2 per cent.

Several thousand more were only being kept in work by state-funded job creation measures and according to Mr Ulf Färnhok, regional economic planning director, real unemployment—namely those out*side the normal labour market* —was running more around S per cent.

According to Mr Hans Cavalli-Björkman, managing director of Skandinaviska Enskilda Banken, Sweden'a largest bank which also has a major presence in the southernmost province, the way towards recovery in the region lies in changing the economic structure.

"We had forgotten the structures of business life here, which was laid down in the 1890s with shipbuilding, the cement industry and farming. We woke up too late at the end of the 1960s when we only started talking about restructuring.

"We have to establish new small industries. The only way *to increase employment* is to start new business. In the U.S. we have seen that 70 per cent of new employment comes from newly-started operations with less than 50 people employed. The big companies are rationalising and introducing new technologies and that makes it very difficult to generate new jobs."

Imposing

Happily there are several examples of enterprises in the region that bave sprung up in recent years and with new ideas have ahown that It is possible to build an imposing presence in world markets.

Tha resource that is most important for such enterprises is buman and what they appear to have in common is that they bave managed to make breakthroughs in areas of high technology and then exploit a highly educated local workforce in order to develop these products quickly for foreign markets. The major challenge facing such companies is often bow quickly they can internationalise.

The pre-conditions for economic recovery in Skane appear to be available. Geographically it is better placed than the rest of Sweden in terms of proximity to major European markets, labour market resources are good and the infrastructure of the region is highly developed.

"In Skane In the future we have to concentrate on high technology industry," says Mr Nils Hörjel, the governor of Malmöhuslän county. "We bave to specialise in electronics, chemistry, bio-technology and the food sciences."

In order to achieve such a development the region is plnning great hopes on the exploitation of much closer links between industry and the university in Lund. Work has got under way this year to establish a science park next to the university, which It is hoped will act as a sort of "greenhouse" for new small companies setting up to exploit commercially Ideas emerging as a "spin-off" from university research.

Commitment

At the same time established companies are being invited in to set up research and development operations in Lund in order to make use of facilities already in existence there and to take advantage of the wider flourishing research environment.

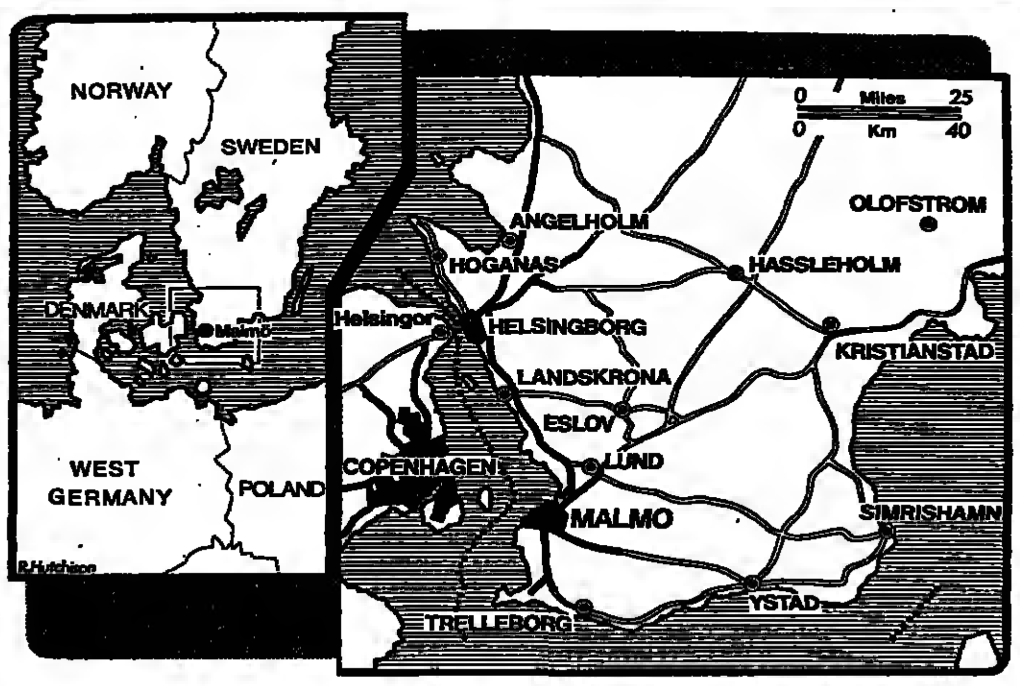
University research already has a substantial commitment to areas such as computer technology, electronics, bio-technology, chemistry and food technology. Its chemical centre is the largest institution for research and education in cbemistry in northern Europe.

The more bapbazard co-operation between the university and industry in the past bas already sbown some impressive results through the work of companies sucb as Tatra Pak in packaging, Alfa Laval in dairy and food processing equipment and Gambro in medical equipment.

Other initiatives to try to generate more activity in the region centre around plans for building permanent road and rail links across the sound separating Denmark from Sweden with the most favoured route being a road bridge connecting Malmö and Copenhagen.

The project has been under discussioo, bowever, for at least as long as the plans to build a tunnel beneath the Englisb Channel and there are few that would bet that it would be built before the end of the century.

The two countries will at least be linked soon by pipeline, however from 1985 the Danes will start supplying southern Sweden with natural gas from the Danish sector of the North Sea.



CONTENTS

This survey was written by Kevin Done, Nordic Correspondent, with contributions on energy by Hilary Barnes

Producing food for the rest of the nation

ALTHOUGH Sweden is not a predominantly agricultural country, It is self-sufficient in basic foods. A substantial share of production comes from just two counties in the south, Malmöhuslän and Kristianstadslön, which make the old province of Skane (Scanie), the granary of Sweden.

A glance at the map shows that the country as a whole is hardly typical farming country. About half the area is covered by forests end more than one-third consists of mountains, moorland and lakes. Less than one-teoth of the country's area is arable and pasture land and only 4-5 per cent of the gainfully employed populatioo works in agriculture.

Skane is different. Much of the province is made up of beautifully fertile plains with some of the most productive agricultural land in the world. An advantage of being located so far north is that the country is free of many of the plant diseases and vermin found in more southerly countries. Skane, however, the southernmost part of Sweden, still enjoys an average growing period of 240 days compared with only 140 days in the far north of the country.

With only 2.6 per cent of the land area of Sweden, Skane provides about 16.5 per cent of the country's arable land and accounts for no less than 20 per cent of Swedish agricultural production.

As an immediate source of employment, agriculture in Skane and Sweden has been declining rapidly in common with all other developed countries as farms have become increasingly mechanised and productive. The land is still the province's most important natural resource, however, and it still provides the vital first link in a complex chain of industrial activity.

Not surprisingly most of the country's biggest agricultural co-operatives are based in the region covering livestock slaughtering and meat marketing, dairy production and crop marketing.

In eddition, however, Skane is the home of the country's sugar company—nearly all Sweden's sugar beet is grown in the province—and some of the best-known names in food processing such as Findus, now part of the Nestle group, and Felix.

Processing

The existence of a sizeable food processing industry also helps to explain why some of the country'e biggest packaging companies have grown up in the south of Sweden. Around the university in Lund there is too a growing concentration of food science and technology activities.

Local industry in the shape of Tetra Pak, the liquid foods packaging company, and Alfa Laval, an important producer of dairy equipment, have combined with the university authorities to promote the establishment of a chair in dairy technology complete with what is claimed to be the world's first "milk professor."

Other areas of industrial activity that have grown naturally ont of the province's involvement in agriculture include the breeding of improved varieties of seeds. The Swedish Sugar Company was reorganised in the late 1960s and under the umbrella of a new investment company, Cardo, this group now inclndes Hilleshög and Weibulls.

Hilleshög is essentially engaged in the two product groups of sugar beet seed and silviculture. It runs an advanced genetics research programme where the work on tissue and cell cultures is a vital element. Such work is taking the company into the field of modern genetic engineering. Skane, with Lund University in the foreground, is increasingly becoming one of the main centres in Sweden for bio-technology research and development. Weibulls' operations are concentrated on the breeding and marketing of cereal seeds, as well as other agricultural seeds, and the group inclndes the UK's leading producer and marketer of consumer-packaged garden products, Suttons Seeds.

By and large Sweden's agricultural policy is aimed at self-sufficiency and the supply of basic products to the domestic rather than to export markets. The development of advanced agricultural technologies opens access to important export outlets, too, however. Such opportunities range from the supply of turnkey plants and reforestation assignments to the establishment of complete farms and dairy complexes in developing countries.

Of the more than 1.2m acres of arable land in Skane about 29 per cent is used for barley production, 19 per cent for pastureland for milk production and 14 per cent for growing wheat. The other main crops are oil seeds and sugar beet with oats, rye and potatoes playing a relatively minor role. Potatoes from Skane are an important raw material for the country's best-known brand of vodka, Absolut, is distilled in the province from grain grown in the rich fields of southern Sweden.

The raw materials for three-quarters of the food consumed in Sweden are produced by Swedish fermers, with the remaining quarter consisting of fish, vegetahlee, fruit and produce which cannot be grown in Sweden.

Of the fruit and vegetables that are grown in the country, the lion's share comes from the southern-most province, including 60 per cent of all domestically produced vegetables, 85 per cent of fruit, and 25 per cent cf flowers.

Of the average farmer's income from farm prodnction about 39 per cent comes from milk, 36 per cent from meat and 20 per cent from grain and other vegetable crops. Some 5 per cent comes from eggs and poultry. With its close ties to Denmark, it is hardly surprising that Skane is the main centre for pig farming in Sweden — indeed the 1.3m pigs outnumber the people — and the region accounts for 40 per cent of the country's pig production and for 16 per cent of its cattle.

Traditions

For centuries Skane, together with the neighbouring provinces of Blekinge and Halland, were part of the kingdom of Denmark, not of Sweden, and these links are still plain today in the region's agricultural traditions.

"We are like the Danes," says Mogens Jörgensen, an arable farmer near Malmö and a member of the board of the Skane Farmers Federation. "We are very interested in animals and especially pig production. We have taught the rest of the Swedes how to raise pigs. The technical level is very high here. We are more steady and more awake and more open to new developments than the rest of Sweden. New impulses have often come first from Denmark.

"Farmers further north have tough conditions, but the land is fantasticaly cheap. We can tell them that we have high yields and they think that nature is giving ns so much. But we are more energetic and eware of diseases and the use of fertilisers than they are. If yon have high yields you have to take care of far more details, there is no time for vecations."

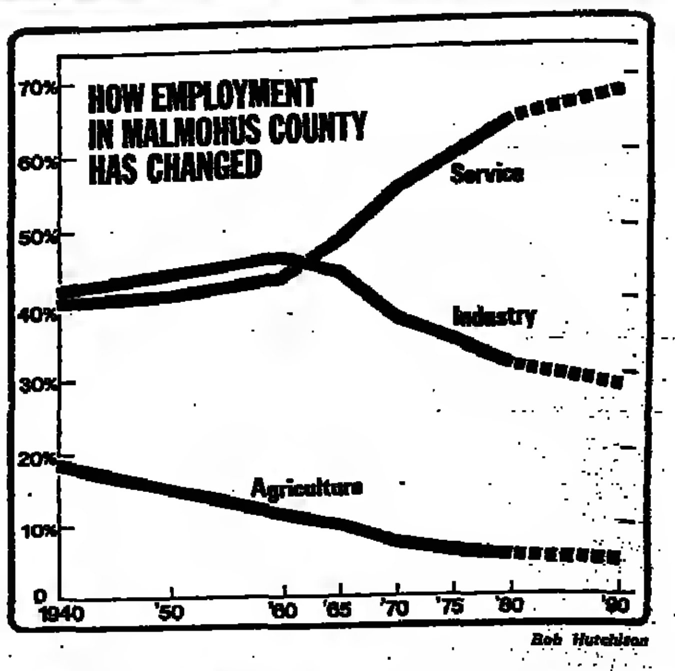
Some 13 per cent of the country's farmers are found in Skane, and they are certainly among the most prosperous. "Farmers always say they are hard-pressed," observes Mr Bengt Brynell, managing director of Skanek, the meat marketing co-operative organisation in the south-east of Sweden. "They always say they have never been so pressed and that the future can only be darker, but I think it is not too bad."

He edmits, however, that in recent years consumption of meat and other foodstuffs has been falling in Sweden as a result of the recession. As real incomes have fallen, so too has the consumption of meat, with demand for pork and beef dropping by 10 per cent between 1979 and 1982.

Meat production, he says, is currently as much as 20 per cent above consumption and the surplus has to be sold on export markets at prices well below the protected price levels prevailing in Sweden.

Pork exports go to Japan, Korea and Singapore, while beef sales are more concentrated on the USSR, East Germany and to a small extent the EEC. Swedish access to foreign markets was much improved by outbreaks of foot and mouth disease in neighbouring Denmark last year which temporarily closed certain markets to the Danes, and it is only in recent days that Sweden itself has lifted its ban on the import of Danish meat prodncts.

By international standards the agricultural co-operative movement in Sweden has taken over an unusually large proportion of the processing and marketing of agricultural produce. Dairy produce is refined entirely within the farmers' own co-operative organisations. Around 80 per cent of all meat production comes from co-operative slaughter houses, which are also trying to increase their share of the market for processed meat products. At present they meet about 40 per cent of demand.



Bob Hutchison

Profile: Nils Hörjel, Governor of Malmöhuslän

'We aim to build a new Skane'

Nils Hörjel, Governor of Malmöhuslän which accounts for around three-quarters of the population of the province of Skane, admits that it will take a long time to get the economy of the region moving again. "Right now we are trying to build a new Skane, but it might not be till the end of the decade that it is in good condition again. The labour market is in a very bad state. It is one of the worst in the country."

Hörjel, a former head of the Swedish postal administration from 1965 to 1973 and a Social Democrat, is setting great store by the development of links between the university in Lund—the largest institution for research and higher education in Scandinavia—and industry as a way of regenerating industrial activity in the region. He is one of the prime movers behind the project to build a science park as a "breeding ground" for new small and medium-sized companies beside the university.

At the same time he is one of the most ontspoken supporters of the controversial project to build a bridge across the Oresund, the straits dividing Denmark and Sweden, in order to improve the communications links between Malmö and Copenhagen.

It is e stance which is not appreciated in some parts of the region. Further north, especially in the city of Helsingborg, he is eccused of being the Governor for the city of Malmö rather than for the country.


Hörjel: clearcut views on plan to build bridge to Denmark

Helsingborg, presently the main ferry link to Denmark for both rail and road traffic, fears greatly for its strategic importance in the region'e transport network if a bridge were to be built from Malmö.

For Hörjel the case is clear-cut, however. "A bridge is a more rational means of communication than a ferry. You don't refuse to put computers in an office just because some of the personnel will become unemployed. You profit from such a move in other ways.

"We will come closer to Europe and it will be easier to export goods. We will only get the benefits if we are industrious and energetic, of course, because naturally it would be easier for imports too to come into the country.

"I was Under Secretary for Transport for seven years from 1958 to 1965 and have been chairman of many transport committees, among them committees on the Oresund, so I know the material. I am convinced that a bridge would help employment in Skane."

Hörjel takes an active part in the economic life of the country and is chairman of a number of company boards. A lawyer and economist by training he is chairman of Ericsson Radio Systems, a subsidiary of L. M. Ericsson, the telecommunications and electronics giants. He is on the board of AB Aerotransport, the Swedish parent for SAS, the Scandinavian Airline System, and he is also chairman of Linjeflug, which handles secondary air traffic in the country.

Mediator

During various wage rounds he has been called in as a mediator between the two sides of industry, chairing labour commissions in 1981 and 1982. As Governor in Malmöhuaslan he acts as the lengthened arm of central government in the country, but in practice his role is more to fight for local interests at a national level.

"It will be a long process to get economic improvement," he says. "It depends a lot on the world economy. If this expands it will be easier to get Skane moving. There has been a high price for fighting inflation—no one earns much from unemployment."

He welcomes the recent low national wage settlements as a gesture of solidarity from the trades unions with the new Social Democrat Government, backing the massive devaluation last eutumn and helping to regain a competitive edge for Swedish export industries.

He recognises, however, that the region around Malmö will be slower to benefit from an upturn solely of the export sector of the economy, as it tends to be more dependent on the domestic economy than the other most populous areas of the country around Stockholm and Gothenburg.

Equally the region has an above average share of large companies, which means it has been more hit by concerns having to rationalise and cut staffs during the recession than is true of areas dominated by small and medium-sized industry.

"The only crisis indnstries we did not have were steel and mining," says Hörjel. "In the future we have to concentrate on high technology industry."

Malmo and Southern Sweden III

University given a key industrial role

"IN SKANE in the future we will concentrate on high technology industry," says Mr Nils Hörjel, governor of the county of Malmöhuslän. "We will combine the research and development resources of the university in Lund with those of industry and it is in Lund that Skane's new industry will be born."

Lund University, founded in 1668, is the largest institution for research and higher education in Scandinavia with eight faculties and around 20,000 students. About 5,000 research projects are currently in progress, and it is from such work that the region is hoping for new ideas which will help to regenerate industry and commerce in the area.

Lund is already the location of some of Sweden's most innovative and internationally successful high technology companies in the shape of groups such as Tetra Pak in packaging, Alfa Laval in dairy equipment, Draco in pharmaceuticals and Gambro in medical equipment. It is agreed that important reasons for their success lie in their proximity to the varied research environment offered by the university, and political, industrial and academic leaders in the region are now determined to foster the contact between industry and university in a much more systematic way.

Co-operation

A co-operation project between the local authorities and the university was begun in 1978 with the aim of using the extensive R and D resources available in Lund to support and stimulate small and medium-sized industrial enterprises in the region. This work has culminated this year with the decision to establish a fully fledged Science Park in the town following the pattern of well-established research parks in countries such as the U.S. and the UK.

Lund, it is hoped, could develop into a Swedish form of Silicon Valley, specialising not only in electronics, however, but also in chemistry, biotechnology and food and nutrition sciences.

The first company to establish a development unit in the science park will be Ericsson Radio Systems, part of the Ericsson telecommunications and electronics group. It will start off with 40 researchers in September but is planning by tha mid-1980s to increase its staff to around 500. The group will be working, among other things, on advanced cordless communications systems.

Mr Nils Hörjel, the county governor, is also chairman of Ericsson Radio Systems—he was formerly the head of the country's postal administration—and he has clearly played an important personal role in persuading Ericsson to take the important first step to set up a research and development organisation et the Ideon science park.

According to Mr Ake Lundquist, managing director of Ericsson Radio Systems (ERA): "The creative atmosphere in Lund and the proximity to research are important for industrial renewal. The direct contact between research and industry is important, as is the possibility of shared time access to equipment, especially at Lund Instituta of Technology." ERA also hopes to ba abla to engage technologists and doctoral candidates in development work and thus eventually gain some influence on both research and education.

The emphasis placed by the university on information technology and electronics will make Lund an important centre of computer and electronics development in Sweden. The arrival of a company such as Ericsson is also likely to stimulate new interest in the work of existing small electronics groups that beve grown up around the fringes of the university, such as EGIL.

EGIL is a grouping of around 20 electronics firms and was formed to promote co-operation among innovative electronic and computer spin-off companies from the Lund Institute of Technology.

Companies have so far worked in fields such as andio Hi-fi, medical electronics, automatic control, computer graphics, video technology, application oriented software and data communication. They reckon to produce around 45 new products annually and in many cases serve as suppliers or consultants to large Swedish concerns.

Industrial development work in the Ideon science park will not be limited to electronics, bowever, and the chemicals industry will be an equally important sector given the existence in Lund of the Kenicentrum, the largest chemistry research centre in northern Europe.

Perstorp, the Swedish chemicals and plastics group located in Skane, has already made wide usa of its contacts with universities, not just in Lund, but workdwide, but it too is hoping for new impulses from a closer proximity to tha research environment offered by the emerging science park.

Mr Sten Nordberg, the company's research co-ordinator, has tried to build e very decentralised approach to research and development within Perstorp and tha group has therefore been ready to contract out important parts of its research work. "It is very easy for centralised research to be in an ivory tower," be says, "it can be very inflexible and makes it difficult to be close to the specialised market niches in which we operate."

Perstorp is not interested in influencing a university'e basic research, but in areas of applied research there are often opportunities for working together on common problems in areas where thee is aleady a showed expertise. "Wa want to broaden our contacts, not just in chemistry but also in electronics, computer and mechanical technologies."

Nordberg also feels that the large concerns can play a role in encouraging "seed companies", where two or three peopla have come together to try to exploit an idea commercially. "They very qnickly see that they need money and then that they need marketing skills, especially internationally. If they are to grow they need management techniques.

"We hope to get close contact to such companies—for us perhaps in the instruments field—where we can co-operate and possibly participate."

Perstorp is one of the country's largest independent spenders of commissioned research. "Our commitment to analysis instruments is an example of the harnessing of chemistry, computers and electronics.

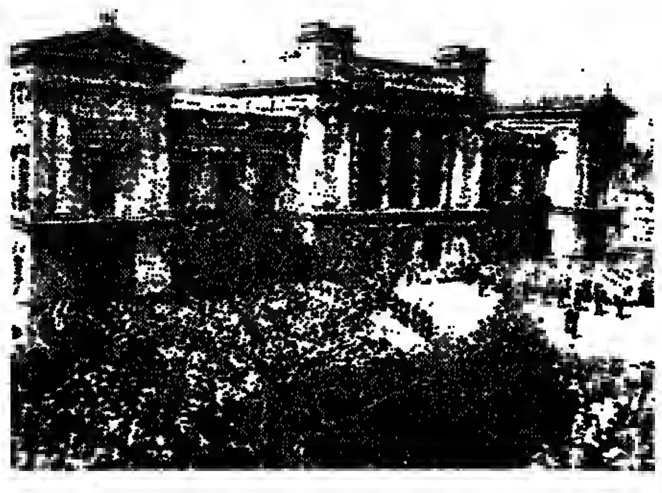
Ideon will surely function as a generator both for new ideas and for the development of new products, very largely thanks to the "spin-off" companies that flourish in the vicinity of active universities."

Tha most surprising part of Ideon is perhaps that it has taken so long for industry, political leaders in the region and the university authorities to take such an initiative. As Mr Sture Forsen, Dean of the Chemistry Section of Lund Institute of Technology points out: "The ancestor of today's science park or research park is now 30 years old—Stanford industrial park spread over 750 acres in the immediate vicinity of Stanford University in California.

"Today it is difficult to believe that in the beginning of the 1950s California was industrially very underdeveloped."

Some of the explanation lies perhaps in the fact that the academic community in Scandinavia has in the past tried to keep its distance from industry and commerce.

These barriers are increasingly being taken down, however, and Professor Forsen is convinced that a majority of the researchers, teachers and students in the faculties of mathematics, natural sciences, medicine and technology support the setting up Lund's science park.



Lund University: Scandinavia's largest institute for research and higher edncation.

Kidney dialysis company shows the way

THE COMPANY most often cited by business leaders in southern Sweden as the sort of high technology concern the region needs if it is to generate new growth is Gambro, one of the world's leading producers of kidney dialysis equipment. The company only started life in the late 1960s, but by last year it had a turnover of nearly SKr 1bn. It has a workforce of just over 2,000 of wbom more than 700 are employed in Sweden in Lund.

From the outset it embarked on a determined course of internationalisation. Around 98 per cent of its sales come from markets outside Sweden. It has research centres in three countries—West Germany, tha U.S. and Sweden—and production facilities in five countries including Japan, ona of the few Swedish companies to hava a manufacturing plant there.

The origins of the company go back to 1961 when Professor Nils Alwall of Lund University, one of the pioneers of tha dialysis treatment of end-staga renal diseases, presented his ideas about disposable artificial kidneys. He made contact with Holger Crafoord, one of the leading Swedish entrepreneurs of the post-war period, in the search for financial banking.

Research and development continued during the 1960s and led to the production of the first prototype dialysis monitor in 1966. Work was far enough advanced for a new plant to be built in Lund by 1969-70, when the company still had only 41 employees and a turnover of SKr 5.9m.

During the explosive growth of the 1970s Gambro succeeded in financing its expansion through its own high level of profitability and borrowing, but by last year it was reaching the limits of such a process and needed to start to look for outside capital. In 1981 equity was accounting for only some 25 per cent of its capital compared with the 60-70 per cent enjoyed by its main international competitors.

Public

Financing problems have been taken care of in three stages in the last 12 months, however, and the effort will culminate in the next few weeks when the company is launched on the OTC (over the counter) market in New York.

The first stage in the process was a private placement in Sweden which was subscribed to by domestic institutions and brought in SKr 225m in new capital. In the last coupla of months it has also gone public in Sweden, an introduction that raised a further SKr 114.5m. By the end of last year its debt/equity ration had already been raised to 48 per cent.

The search for international capital was natural for a company almost entirely dependent on foreign markets for its sales and the choice of the U.S. was an obvious one.

America is Gambro's biggest market. The company is planning further expansion in the high technology medical equipment field and much of the research in this area is going on in the U.S. By issuing shares there is hopes clearly to become better known and to ease the way for making acquisitions in the U.S.

Gambro's first business idea was confined to tha development of artificial kidneys but the company is now beginning to diversify in order to take advantage in allied fields of its experience of treating blood outside tha body.

In 1981 it introduced a beart-lung system for use during openheart surgery and earlier this year it entered the intensive care and anaesiology field through the acquisition of Engström Medical, a Swedish manufacturer of respirators and related equipment.

The group's turnover has more than doubled in the last five years from SKr 472m in 1978 to SKr 989m last year. In the same period profit (before adjustments to untaxed reserves and taxes) has climbed from SKr 31m to SKr 110.7m. The return on capital employed has improved from 13.4 per cent in 1978 to 19.4 per cent in 1981 and 18.4 per cent last year.

Until the private placement made last year virtually all the shares in Gambro were held by family interests of the company's founder Holger Crafoord, who died last year. When the offer of shares is completed in the U.S. it is expected that about 78-79 per cent of the voting power in the group will still remain in the hands of individual family members or the Crafoord Foundation.

In little more than a decade the company has established itself as the world leader in the manufacture and sale of blood dialysis and blood filtration products and systems. Its share is more than 20 per cent. Its biggest competitor Baxter Travenol Laboratories in tha U.S. is the largest produeer of dialysers in America, but Gambro is the market leader in Europe.

Unlike its U.S. competitors and its main rival in Japan, Asahi Medico Co. Gambro bas specialised in producing all the three major elements for an artificial kidney machine: the filter, the control unit and pump, and the blood lines. It believes that its ability to sell complete systems has enhanced its position in foreign markets, giving it an edge in service and reliability.

The other major factors behind its rapid growth and penetration of world markets seem to lie in the speed with which it internationalised its business and its achievement in rationalising production methods.

It was not until 1970 that its first plant in Lund was built, but during the 1970s it began building in West Germany in 1973, in the U.S. in 1974—it now has three sites there—in Italy in 1977 and in Japan in 1979. It sells its products in 80 countries from a network of sales offices set up in 20 countries.

Improvement

The improvement in its profitability in the last couple of years has stemmed from the productivity gains it has made by introducing compnterised robots in substantial parts of its manufacturing operations. As a result the company's workforce has increased at a much slower rate than the volume of production.

In addition it bas cbosen to locate the manufacturing of control and monitoring units and capital eqnipment requiring skilled labour chiefly in Sweden and West Germany, while the labour-intensive production of blood tubing is done chiefly in lower-cost countries, Italy, Japan and the U.S.

Improved profitability in 1981 and 1982 also reflected a one-off deal made with the USSR for the delivery of production equipment and know-how for a factory to manufacture kidney treatment systems for the Soviet market. Sales revenues from that deal amounted to around SKr 82m.

Gambro's research programme is taking it towards the fields of bio-technology and towards links with the pharmaceuticals sector, although its activities remain firmly anchored in high technology medical equipment and the treatment of blood outside rather than inside the body.

In R and D it is concentrating on membrane technology and immunotherapy as well as the further development of electronic monitoring devices.

Contact with the R and D environment in Lund is still important, but Gambro must clearly also tap much wider sources of knowledge. As part of this process it is investing $2m in a venture capital fund in the Netherlands Antilles, which will invest principally in shares of companies engaged in research and development in the area of medical science. The chairman of Gambro, Anders Althin, will also be chairman of the fund.

Reflecting the youth of the company, Gambro top management is also still very young, some baving joined the company in its initial stages during their 20s. Most of the executive directors are still only in their 30s.

Shipbuilders fight for new orders

THE CRISIS in world shipbuilding has had a painful impact on southern Sweden. One of the biggest yards in the region in Landskrona is finally closing this summer and the one remaining major shipyard, Kockums in Malmö, faces a desperate fight for new orders if it is to survive beyond next year.

The closure of the Öresundsvarvet in Landskrona, which in 1977 bad a workforce of 3,250 and less than a year and a-half ago was still employing more than 2,000 is a result of the restructuring of the Swedyards Group, Sweden's nationalised shipbuilding concern which was formed in 1977.

Faced by a need to dramatically cut capacity in order to bring facilities more in line with dwindling order books, the Swedish Parliament finally agreed reluctantly in June 1981 to discontinue shipbuilding operetions in the town.

Assets at the yard have been transferred to a new investment company, Landskrona Finans, formed specifically to try to attract new activities to the region.

Kockums remains the biggest industrial employer in Malmö desplte the drastic cutbacks of recent years. From a peak of 6,000 during the 1970s, the workforce bas now fallen below 4,000 and a further cut of 30 per cent in the capacity for building merchant ships is to be implemented by the end of next year.

The giant 1,600-ton gantry crane—the largest in the world—which towers over the yard at the entry to tha inner port of Malmo is the most potent symbol of the city, a mark both of its earlier prosperity and current decline. The crane was ordered less than two years before the first world oil crisis when the fortunes of the Kockums yard were riding high on the back of the boom in oll tanker building.

With a building dock with a capacity of 600,000 deadweight tons and an advanced transport system with trucks capable of carrying sections weighing as much as 700 tons, Kockums had become one of the world's leading builders of super tankers. As long ago as the early 1950s it had led world shipbuilding statistics, topping the league for new launchings and ships delivered.

At the turn of the year 1973-1974 the yard had the largest backlog of orders in the world amounting to more than 6.3m dwt comprising four 255,000 and no less than 15 355,000 dwt super tankers. The yard was totally geared to turning out very large and ultra large crude carriers with impressive speed and productivity. At its peak the yard delivered 40 such tankers reaching a rate of one every 40 working days.

The surge in oil prices and the resulting long-lasting crisis in the world oil tanker market hit at the very basis of Kockums' existence. It tried to tide its way over the mid-1970s by speculating beavily on a rise in the world liquefied natural gas market and in 1976 and 1977 it decided to build two LNG carriers—the largest hitherto built—for the shipyard's own account.

The financial fiasco resulting from these moves was only erased from Kockums' books in 1981 in the wake of its takeover by Swedyards and one of the gas carriers still lies at the quayside in Malmo beside the shipyard as a grim reminder of the folly of the 1970s. It has finally been sold to a West German shipping line, bnt that firm too is in financial trouble and there is no work for the vessel.

Survival

The traumas of the late 1970s plunged the yard deep into losses with deficits of SKr 47m in 1978, SKr 772m in 1979, SKr 655m in 1980 and SKr 801m in 1981.

That the yard still has a chance of survival is itself a striking testimony to the transition that is under way at Kockums and the changes that bave already been pushed through. According to Mr Göran Herslow, managing director of the yard since June 1982, Kockums is pushing into new business areas away from series production of standardised vessels towards tailor-made special ships and integrated transportation systems.

Within the Swedyards group, Kockums work independently in building it has specialised in certain areas. In merchant ship-chemical and gas carriers, cruise ships and passenger ferries, and roll-on/roll-off vessels. Despite attempts at diversification around 80 per cent of its work is still generated by merchant shipbuilding.

It has tried without success to break into the market for building prefabricated industrial plants with tenders for ammonia/urea plants submitted in both Bangladesh and Tanzania.

Kockums management appears to be discouraged by its lack of success in this sector and it is likely that it will give up the effort during the summer. Its other activities are in underwater technology, and marine equipment and services through its mechanical engineering subsidiary, Kockums Verkstäder.

Kockums, the one remaining shipyard in southern Sweden. Despite recent cutbacks, it is still the region's biggest industrial employer.

As a naval shipbuilder the yard has already produced 46 submarines and a further four are on order from the Swedish Navy for delivery in 1987/89. Rather belatedly Kockums' naval division is attempting to find new business opportunities in tha offshore oil and gas industry by utilising its subsea technology for civilian applications. It has designed remote-controlled vehicles, deep-sea habitats, general purpose submarines and coast guard submersibles, but this sector is still to generate any significant volume of work.

In its recent years of painful transition Kockums has delivered a small number of chemicals tankers, car carriers and ro-ro vessels, and it is in this last area that it is pinning its main bopes for future survival.

It is seeking to establish a new name as a leading builder of high technology ro-ro ships. Still on its order books are two of a four vessel order from the National Shipping Company of Saüdi Arabia and this series will be followed by three advanced ro-ro container ships for the three Swedisb members in the Atlantic Container Line (ACL).

During 1982 Kockums demonstrated its flexibility by acting as sub-contractor for another part of the Swedyards group for the fabrication of a semi-submersible accommodation platform for Consafe Offshore of Gothenburg.

The orders crisis is fast becoming acute. New work is needed by August/September is a slump in the workload of the engineering staff is to be avoided. The yard is already in the process of cutting its direct production capacity by 30 per cent with a reduction to 1,340 people by the end of next year from a present level of 1.940 engaged in fabrication. By then the yard's capacity will have been cut to 1.75m man hours a year, 70 per cent of today's level.

Hopes for new orders centre around discussions the yard is holding with potential customers in Europe for ro-ro ships and further afield for cruise ships and refrigerated vessels. Failure in these talks could jeopardise the whole tentative recovery shown in the yard's fortunes in the past 18 months.

According to Göran Herslow, Kockums managed to produce a small profit of SKr 56m in 1982 and despite the financial pressure that will result from cutting capacity believes the yard could remain marginally above the break-even point this year. The apparently dramatic recovery from the SKr 801m loss in 1981 is partly explained because the yard was still burdened in that year with the interest costs of financing the two LNG carriers built for stock. In addition it had to take currency losses end an extraordinary write-down on fixed assets.

The recovery is also due to the restructuring measures, however, which give some hope for the future, end to better average prices achieved on recent orders. In the latter part of the 1970s Swedish yards were taking new building orders at prices which only covered 70 to 80 per cent of production costs.

Mr Herslow insists that productivity at Kockums has been improved by 10 per cent in the past 12 months.

Competing

Kockums' managing director maintains that the yard "can competa on costs with the Japanese, but the point is that we are not competing with Japanese costs but with Japanese prices. We cannot meet Korean costs, but we have better quality and we are investing to keep the distance between us."

The issue now facing the yard acutely is whether this new-found productivity can be put to use and whether it can find new orders to bridge the gap to the mid-1980s when Herslow sees better times ahead for world shipbuilding. He left an apparently comfortabla job with Asea, the successful Swedisb electrical group, to join Kockums and says: "I prefer this kind of job. Before that I had seven years in the steel industry and you get used to struggling to survive from day to day."

Research is intensified in the chemicals and pharmaceuticals sector

Move towards high technology

SOME OF the origins of the chemicals industry in southern Sweden go back to the exploitation of abundant local raw materials, such as the beech woods, which were used in the distillation of acetic acid. But today tha major resource for both chemicals and pharmaceuticals companies is people, as concerns in this sector concentrate more and more on high technology products.

Perstorp, for instance, located in northern Skane and operating in chemicals, plastics and laminates, has resolutely followed a policy in recent years of seeking out particular niches in the market in which it can have the potential of being a world leader—of necessity this requires a high degree of specialisation.

Substantial investments have been directed towards high technology activities in fields such as laminates for the electronics industry, colour additives for plastics, systems for chemical analysis and carbohydrate gels for pharmaceutical use.

"I have tried to get Perstorp from a low technology to a high technology company," says Mr Karl-Erik Sahlberg, chief executive. "Everything I do is to try to increase the technical content of our products."

Convinced

Such an approach has certainly helped to convince financial markets in Sweden that the company is being radically changed and in the past eight months the Perstorp share price has shot up by more than 130 per cent, as investors have become increasingly convinced that Perstorp is overhauling its products mix.

Last year the company had sales of SKr 2bn, up from SKr 1.7bn in 1981 with a 53 per cent increase in operating profits to SKr 184m. Perstorp has a workforce of just over 4,000 of which some 2,300 are in Sweden.

Perstorp was founded as long ago as 1881, but it is only in the past couple of decades that it has grown to be mnch more than a local company. As a leader in formaldehyde production technology it still has close links back to its origins in the beech woods of southern Sweden, but its current business has developed to include polyalcohols—used in the production of alkyds for the paint industry and resin used in the foundry industry—mounting powders used as plastics raw materials, plastic laminates and plastic products.

The company's basic business philosophy, says Sahlberg, is to "identify and develop products based on our speciality chemicals, laminates and plastics technology and to achieve market leadership in these products." Such an approach requires a far-reaching commitment to research and development along with a growing international production and marketing base.

The group now has production facilities in Brazil, the U.S., the UK, France, Austria, Italy and Finland and it recently added a new subsidiary in West Germany, its first acquisition in the Federal Republic.

Apart from Brazil, where Perstorp began operations in the early 1950s, this drive into foreign markets has been achieved solely during the 1970s with all foreign production facilites acquired since 1973. Sales outside Sweden now account for 77 per eent of total turnover and exports from Sweden for 63 per cent.

Perstorp has set itself the ambitious corporate goal of increasing turnover by an average of 20 per cent a year. Over the past five years it achieved a growth rate of 17 per cent.

During the period 1978-1982 more than 40 per eent of total capital expenditure of SKr 510m was made outside Sweden. The main projects have included the building of new plants in Aycliffe in the UK for producing resins, phenol and amine moulding compounds. In 1976 Perstory acquired the Warerite plastic laminates business in the UK from Bakelite Xylonite. In addition the group has invested SKr 64m in the decorative and industrial laminate sectors in Brazil.

In the U.S. it has acquired the National Plastics Corporation, while in Italy is has purchased an amine moulding compound plant from Montedison.

Acquisitions

Over the coming five-year period Karl-Erik Sahlberg expects the group's investments to total around SKr 700m covering development projects, new manufacturing facilities and company acquisitions both at bome and abroad.

Such a spending programme would clearly have stretched the group's financial resources, so in recent months it has made two share issues, first in Sweden followed by a private placement a few weeks ago in London. Each share issue raised around SKr 100m.

The move to raise funds on the foreign capital markets was a logical step in Persterp's policy of internationalisation and Sahlberg sees the London issue as a useful way of increasing the company's international recognition. The start made in London bas also opened channels to U.S. investors and about 30 per cent of the institutions subscribing came from the U.S. with 70 per cent from the UK.

With its increasing emphasis on high technology Perstorp is deriving growing use from its proximity to the research and development facilities of Lund University. The existence of a creative R and D environment has also been decisive in attracting the pharmaceuticals industry to southern Sweden.

Most of the concerns are small by international standards, but companies such as Draco in Lund, Leo in Helsingborg, and Ferrosan and Ferring in Malmo play a substantial role in the context of Sweden's growing pharmaceuticals sector.

Draco is a subsidiary of Astra, Sweden's biggest pharmaceuticals group. According to Mr Carl-Gustaf Johansson, Draco managing director: "When Draco got under way 25 years ago, locating in Lund was a conscious decision by the Astra concern to encourage research co-operation between industry and the university."

The research areas of the drug group tend to be complementary rather than competitive. With most important export products belonging to different therapy areas, companies tend to co-operate rather than compete in promoting preparations in the international medical care market.

Leo, based in Helsingborg, has major product and research lines in anti-cancer drugs, anti-depressants, hormone preparations, diet supplements, and analgesics and anti-smoking agents. It bas introduced a preparation that is claimed to reduce the desire to smoke, especially of chain smokers.

In recent years research in the bormone sector—where the company had its origins in the beginning of the 1920s—has been concentrated more and more on anti-neoplastics, which bave provided the company with international launchings of preparations for treatment of cancer of the prostate and for tho treatment of certain forms leukaemia. In 1981 Leo had pharmaceutical sales of SKr 258m of which 85 per cent went abroad.

Financial problems

Ferrosan, the Swedish part of the former Nordic Ferrosan conglomerate that was split up in 1978 between the shareholders in Sweden and Denmark, has about 80 per cent of its sales in pharmaceuticals for human and veterinary use.

The main research activity since the late 1950s bas been in the psychopharmacological field.

Other research projects have resulted from the study of agents to inhibit the growth of dental plaque, and from work on drug delivery systems.

The company ran into serious financial problems in the late 1970s, but following a financial reconstruction new management has been brought in—recruited from Astra—and profitability has begun to recover.

Promising start for scheme to attract new jobs

THE DECLINE of traditional industries is forcing southern Sweden to improvise and innovate in the effort to create new sources of employment. The biggest single blow in the region came two years ago with the decision to close down the shipyard in Landskrona. The yard, Oresundsvarvet, with a workforce still in 1981 of 2,400, was by far the biggest industrial employer in e town of only 37,000 inhabitants.

Activity officially ceases at the yard, in a couple of weeks, when a line is drawn under more than 60 years of shipbuilding. On the same site, however, around 40 new companies have now moved in. Most of them are entirely now, and many have been established by former employees of the yard.

The organisation thet stands behind the drive to bring new business to the area is Landskrona Finans, a unique experiment by Swedish standards. Landskrona Finans is a financing and development company that was established shortly after the Swedish Parliament finally decided to shut down the yard. It received SKr 100m from the state as starting capital and was assigned the assets at the yard for a nominal SKr 1 along with the task of developing now enterprises in the region.

The ownership of the company was planned so that it could incinde a combination of shareholders representing Government and the local communities as well as local private-sector interests. The final structure, however, is unusual for Sweden. Private capital has been given 56 per cent of the voting power, although it represents only 11 per cent of the total shareholding, so that state interests have only a minority influence.

Initiative

The first initiative was taken by the trade unions at the yard, but instead of calling for state aid they turned to the private sector for help and primarily to a leading banker in the area, Mr Hans Cavalli-Björkman, bead of the Malmö regional office of Skandinaviska Enskilda Banken, the country's leading bank.

After the decision to close the yard "the place was shell-shocked," he says. "People stood there and did not know what to do. It was very important to come up with new ideas and concepts. Landskrona Finans is a new venture capital operation. I stole the idea from the U.S.

"The decision to close the yard was e disaster, but it was also good because it made people focus on the problems in the area." Having secured the structure of the financing company to his liking—with majority private-sector influence — Cavalli-Björkman set about trying to find now business activities for the yard, starting logically among the workforce of the shipyard itself.

"I thought there must be 20 entrepreneurs among e workforce of 2,500, but such people need risk capital. We found people who were interested in setting up new ventures, carpenters, painters, computer operators; every discipline in the shipyard has its own company today, and these companies are supported by Landskrona Finans."

Specialist

The managing director of the finance company, Hans-Erik Leufstedt, was hrought in from one of the leading companies in the region, Cardo, where he had been running the Swedish Sugar Company. "It was an exciting chance for the private sector to show what lt eould do," he says. "Normally it would be the Government in Sweden taking this kind of initiative."

Along with four public sector shareholders, Landskrona Finans has 15 private sector shareholders including companies such as Tetra Pak, Cardo and Johnson Construction. "If we want a specialist for marketing or production we can go to them and get their belp free of charge," says Leufstedt.

Landskrona Finans can give loans, take minority shareholdings or give loan guarantees. "We cannot give eway money just to have a company runn'ng to create employment, but we can take a very high risk if we believe in e product or a company. We do not invest in projects which we do not believe will be profitable. We must not band out direct subsidies which is quite common in Sweden. This is a great advantage to us, as we will not come under pressure to invest in short-term projects only to keep employment up."

The most important tool available for Landskrona Finans is venture capital. "Our financial stake is usually rather insignificant, but it is often crucial to the financing of a project. Naturally we will lose a bit of money, but that has been anticipated. In the long-term, bowever, we expect to recover the capital we have invested. It is a prerequisite if we are to survive. Besides we are required to operate on a commercial basis and make a profit," says Leufstedt.

It is still too early to judge the durability of the venture, but the achievement to date has been significant. Nearly 40 companies are today operating from the premises of the old shipyard employing around 750 people. Leufstedt estimates that in about a year employment could beve risen to as many as 1,100, which will exhaust the stock of inherited buildings. To date around SKr 60m of Landskrona Finans' starting capital has been invested in new ventures.

In the initial stages several of the new companies were helped on to their feet by orders from the existing shipyard operation, which still had work to complete. Gradually this support has disappeared, however, and they have been forced to find new markets for products and services to survive.

According to Landskrona Finans most of the new companies have at least three things in common:

- They broke away from the organisation of Oresundsvarvet et an early stage and were turned into private companies,
- they hed e favourable start thanks to orders from Oresundsvarvet which needed the new companies in order to be able to complete contracts for ships already ordered when it was decided to close the yard,
- Most of the companies work as sub-contractors or within the fields of service and maintenance.

The early stages of the Landskrona venture chiefly involved therefore the conversion of existing operations in the shipyard's production organisation into new companies with new outside customers.

According to the financing company: "The normal procedure in those cases was that two or three entrepreneurs in leading positions within one of the shipyard's skilled labour shops such as carpentry, piping, rigging, sheet metal and steel construction, formed a new company and hired part of the personnel working in the shop."

That phase has been completed, however, and Landskrona Finans has now moved firmly into a period of trying to ettract new ventures, products and ideas. It has taken as its symbol the Japanese sun and started its nationwide advertising campaign with the slogan: "We promise to cut the labour costs of your products."

Certainly labour practices at the yard have been transformed since the closure became a reality. One of the largest of the new companies, with around 125 employees, is hased on the former hull-manufacturing unit of Oresundsvarvet. It now makes heavy steel structures, such as ship sections or sections for offshore rigs and platforms. The productivity of this operation has shot up by 25 per cent, while absenteeism has fallen from more than 20 per cent to less than 5 per cent. The new company has gone back to piece-work rates—incentive wages—which had been abandoned during the 1970s in favour of a monthly salary for all employees.

Landskrona Finans' biggest investment to date has been made to attract a new company to the shipyard site, Scan Dust. Of a SKr 73m starting capital lt is subscribing SKr 28m or 38 per cent. The money is being used to get a new plasme technology off the ground to be used in recovering metals from the dust that collects in the gas filters of iron and steel plants. The technology is still untried on the scale to be attempted at Landskorna, but Leufstedt is convinced that lt is precisely this sort of risk that the development company should be taking.

Unusual

The other shareholders are Uddeholm, the heavily loss-making steel group, SKF Steel, which has developed the process, and a private businessman.

Leufstedt admits that the chief reason SKF Steel came to Landskrona was the high level of equity finance available. "There was no possibility of making e profit if they had had to borrow the money. SKF was searching for shareholders or institutions to take part in the project.

"It is unusual that you can work with such high risks as we do. We are working with all the normal institutions to get money before we use our own, bnt the banks always need some guarantee, we don't."

The Landskrona experiment is being watched closely by politicians in Sweden and has already attracted attention in the neigbbouring countries of Denmark and Norway, where traditional shipbuilding operations are also under threat.

The venture is an unusual combination of state finance, private sector management and close co-operation with the trades unions. "I think it is a good combination," says Cavalli-Björkman, "a sort of Japanese model, a very good cocktail."

Profile: Hans Cavalli-Björkman, head of the regional Malmö office, Skandinaviska Enskilda Banken

Leading light in the life of the region

Cavalli-Björkman: brings a politician's conviction to the causes he espouses.

"I THINK I have sent peopla to prison for two to three years. It's awful to think of it now." From serving as a judge on the local district court circuit in Skane, Hans Cavalli-Björkman has come a long way. He is now one of Sweden's leading bankers and a dominating figure on the public stage in the southern province of the country.

Despite the fact that in Malmö he is head of the smallest of the three regional offices—tha other two are Stockholm and Gothenburg—of Skandinaviska Enskilda Banken, Sweden's largest bank, Cavalli-Björkman still contrives to be ehairman of the five-man executive committee of managing directors at the top of the bank.

Attempts to lure him to Stockholm have been made but be has always resisted. In the smaller pool of southern Sweden he is decidedly a much larger fish and he feels too at home in Malmö to move.

Tradition

Cavalli-Björkman, 54, started university with the intention of following a career in law. "My father and grandfather were both doctors, there were many other doctors in the family and they all expected me to follow this tradition. As a young man I rebelled against the idea. My mother's father was e lawyer, one of the first euthorised advocates in the country so in 1947 I decided to study law."

He is a large man with energy to match, rarely sitting still for long. His breathless way of talking that suggests the next appointment is pressing.

"I liked the etmosphere, it was very intellectual, you were using your brain all the time." he says now of his time as a judge in Malmö for five years. "But I wanted to get out into contact with more ordinary people. I went into the bank as a lawyer dealing with arguments between businessmen.

The institution he joined first was the Skandinaviska Banken in Malmö in 1957. Ha rose rapidly to the post of managing director 10 years later, five years before the merger with the Wallenberg dominated Stockholm Enskilda Banken, e fusion he clearly supported. Although still in his early 50s Cavalli-Bjorkman is one of tha longest-serving bank hoard members in the country.

"I was lucky when I joined," he says. "They had not recruited properly and the management was old. They had no choice, they hed no other people."

The informality end dynemism of Cavalli-Bjorkman's style has more in common with a shirt-sleeves American executive than the sort of manicured reserve usually associated with European bankers. He brings a politician's conviction and commitment to the causes he espouses.

Such a cause is precisely the region of Malmö and southern Sweden, an area he has refused to leave for the capital. "I had to stay here to tell the politicians we had the wrong economic structure and thet we hed big problems to change it. At the end of the 1960s people were scared this area might he expanding too fast.

"They were talking of Öresund (the straits separating Sweden and Denmark) like a lake with a hridge across lt. It was science fiction, I couldn't understand it. It is not a problem that activities and people were becoming too concentrated here around Malmö and Copenhagen, but rather thet we are becoming a sort of Sicily in Sweden.

"We had forgotten the structure of business life here. It was a structure thet was given in the 1890s; the shipyards, the cement industry and farming and the food industry. With the rubber industry and the textiles industry we had a very good development for about 60 years, but now we need new structures.

"We have to establish new small industries; the only way to increase employment is to start new business. I come from Smaaland (e province in central Sweden) and there they have a very different structure. It is based on small and medium-sized industry.

"There is no wonderful soil or natural resources. They only had stones but they started building small companies between those stones. They have not had such problems during the recession because the structure is healthier. We have to learn from Smaaland."

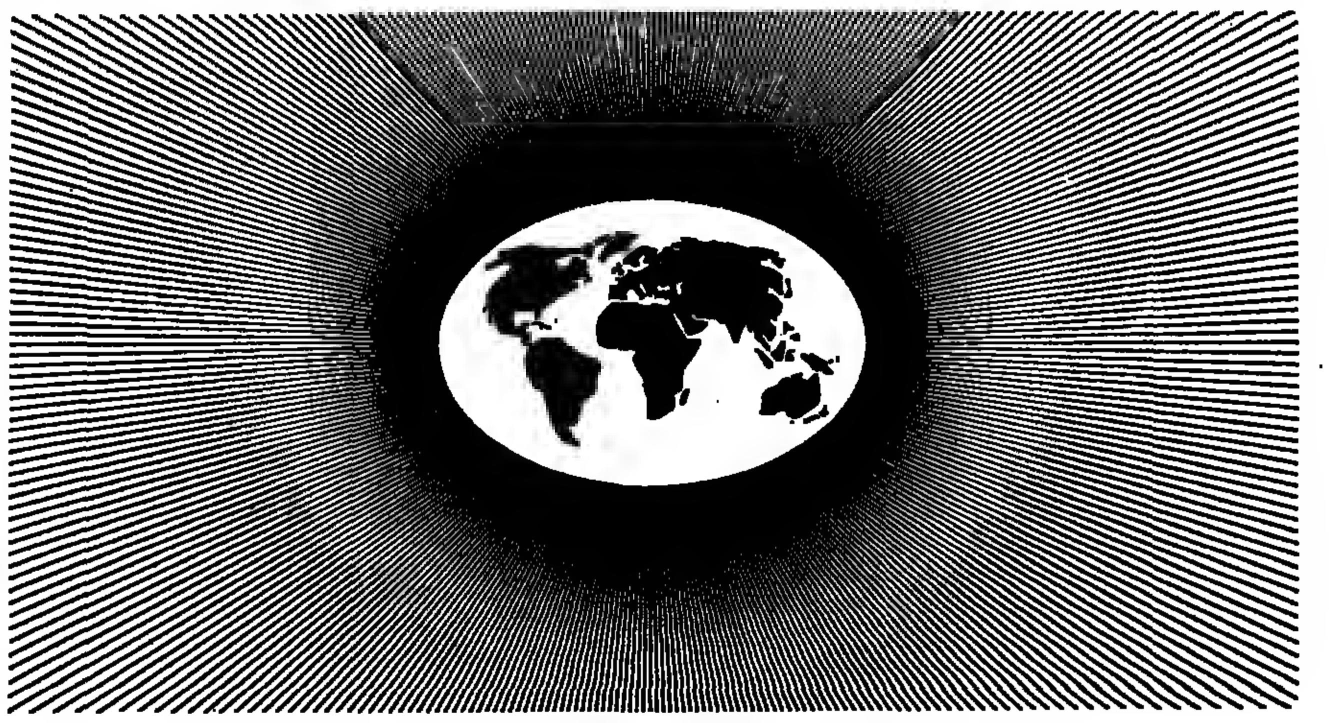
Commensurate with his position at S-E Banken, Cavalli-Björkman himself is inevitably on the board of some of the country's largest companies, such as Saab-Scania and Uddeholm, but in the south of Sweden he is a leading light in new organisations aimed at encouraging small business such as Landskrona Finans—formed to bring new jobs to the area hit by the closure of the Oresundsvarvet— and SUN, a foundation formed to promote co-operation between industry and the university in Lund.

The extrovert banker is also clearly visible locally as the chairman of Malmö football club—a pennant hangs rather lop-sidedly from the corner of one of the modern paintings in his office.

Malmö rose suddenly to fame when they reached the European Cup Final in Munich in 1979 which they lost to Nottingham Forest.

"I sat there with Franz-Josef (Strauss)," says Cavalli-Björkman. "We were the dark horses, that little city from that little country, but we advanced to the final. When I think of that match now, I think to hell with it, we had to play with our reserves because of injuries.

"For a moment Malmö was on the map. That was wonderful for me. Wherever I went around the world staying in en hotel when they found I was president of Malmo football club, they discovered I was in the wrong room and gave me a better one."



Decision to abandon nuclear energy presents major challenge

Search for alternative sources

ENERGY supply in south Sweden is synonymous with Sydkraft, tho power utility, which is Sweden's second largest power group after Vattenfalls, the Netional Power Board. Although Sydkraft supplies only 10 per cent of Sweden'a geographical area, it supplies ebout 20 per cent of the population.

Sydkraft was formed at the beginning of the century as a unique — at tho time — cooperation between privete industry and six local authorities. This ownership combination has lasted until today.

The local authorities hold about 60 per cent of tho voting rights, the motals company Boliden has 25 per cent and almost 4,000 shareholders make up the balance.

Diversification

Originally Sydkraft was exclusively an electricity supply company, but in 1975 tha company articles were changod to onable it to become an energy supply company. Since then it has begun to diversify into district beating, heet pumps, natural gas, wind power and biomass. However, electricity is and will remain its main area of operation.

National energy policy faces Sydkraft with two priority tasks. The first is the reduction of tho country's dependence on oil, both by encouraging e switcb away from oil into other forms of energy for bome boating and by developing alternative sources of energy.

Tha second is tho planning for the day wben Sydkraft can no longer utilise nuclear energy as a result of the national policy, confirmed by a referendum in 1979, to run down tho nuclear energy programme and phase out the country'a 12 nuclear reactors altogether by 2010.

As about 70 per cent of Sydkraft's own energy production comes from nuclear reactors, tha challenge facing the group is enormous.

Given tho long time between tha 1979 decision on nuclear energy and its implemontation, many peoplo believe that in the ond the government of tho day will come round to the view that the country cannot afford to ebandon its nucloar resources. Sydkraft'e staff are among the sceptics.

"Tho nnclear power policy is unrealistic, that's obvlous," says President Göran Ekberg. Unrealistic or not, the policy is already impinging on Sydkraft's investment planning.

The increase in power consumption in coming years—and electricity consumption is expected to rise by about three per cent a year until 1990 and two per cent a yoar thereafter —will have to be met by installing non-nuclear capecity. For all practical purposes tho only serious alternative is coal.

Approval is expected in the autumn for a 300 MW coal-fired plant and planning epplications are being prepared for two 600 MW plants. Permission to build the latter two will not be given before 1985 at the earliest, as in thet year the Governmont is dua to present a revised energy programme for tha 1990s, which will be the next major step in Sweden'e energy policy development.

In eddition to coal, the other main new source of energy in south Sweden in coming years will be netural gas. In 1980 the Governmont signed a contract to buy 440m cubic meters of gas from the Danish sector of the North Sea. Deliveries will start in late 1985 and the gas will be supplied to households and industries in the region of Malmö, Lund and Helsingborg.

The gas will account for ebout 10 per cent of south Sweden'e energy and replace some 25 per cent of the region's oil consumption, mainly by replacing oil-fired central beating systems.

Sydkraft president Göran Ekberg: "the nuclear power policy is unrealistic"

Sydkraft will be responsible for installing and operating the natural gas system.

Tho project has two disadvantages from Sydkraft's point of view. The gas is a direct competitor with district beating, which is cheaper; and the gas project will land Sydkraft with a loss, et least in the initial years of the project.

The previous non-socialist Government promised Sydkraft that the Government would bear any losses on the project in excess of Skr 50m (on an accumulated basis). The Social Democratic Government which took office last year was not very keen to meet this commitment, especially as it began to look as if the Governmont might have to foot a substantial bill.

Obligations

There was somo discussion in the winter of discontinuing the gas project altogether, but as the contractual obligations to the Danish Government made this a financially even less desirable option than stopping the project, it is now going ahead—while the Govornment and Sydkraft continue to negotiate over the share of the losses.

Meanwhile, Sydkraft remains dependent on hydro and nuclear power. The latter comes from two reactors at Oskarshamn (where a third reactor is due for completion in 1985), in which Sydkraft bas a 38 per cent share, and from two wholly-owned reactors at Barsebäck, near Malmö. The reactors are of the boiling water type and were built by Asea-Atom with turbines delivered by Stal-Laval.

Sydkraft is very happy with its reactors, and so, it seems, is the population of Malmö. In the 1979 refarendum the vote was 80-20 against the nuclear dismantlement programme.

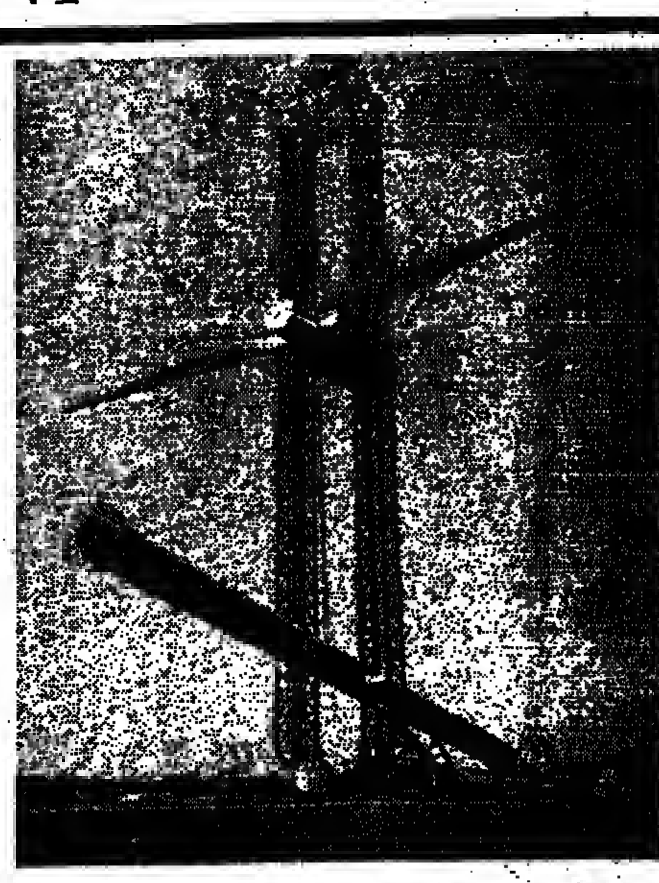
Sydkraft's satisfaction springs from the efficiency of its reactors. "While the energy supply factor in the 300 reactors in operation around tha world is about 60 per cent, in Sweden it is 75 per cent, and at Barsebäck last year (wben there were no stoppages to change fuel elements) it was 93 per cent and at Oskarshamn 83 per cent cent," says Mr Ekberg.

Sydkraft's involvement in tho more marginal forms of alternativo energy supply, such as wind power and biomass experiments, is taking place with tho aid of government money, but Sydkraft itself is pushing ahead with district heating and beat pump systems.

Given the small size of the population, the scope for district beeting outside the Malmö city region is not very great. Sydkraft's main efforts are therefore being made in relatively small-scale eystems utilising heat pumps, inclnding beat from untreated eewage in tho village of Skurup, beat from industrial waste water et Perstorp and heat from see water at Oskarshamn.

Financially Sydkraft is in good shape, with an equity to assets ratio in 1982 of 28 per cent in spite of beavy investments totalling ovetr SKr 1bn in new plant and SKr 950m for the acquisition of roller-bearings group SKF's share in the Kraangede Power Utility.

Group sales revenue last year was SKr 3.0bn, an increase from SKr 2.7bn in 1981, while earnings before allocations and tax declined from SKr 625m to SKr 435m, mainly as e result of an increase in realised and unrealised exchange rate adjustment losses from SKr 88m to SKr 173m. Group assets et the end of last year were SKr 7.2bn. Shareholders' equity was SKr 1.0bn, plus SKr 700m in untaxed reserves.



The Maglarp protoype under construction: symbol of Swedish ingenuity

Making use of the wind

WITH propeller blades spanning 78 metres, perched on top of a 70-metre tower, the wind power plant at Maglarp, near Trelloborg, on the west coast of Scania, is e symbol of Swedish ingenuity in developing alternative energy systems.

The Maglarp plant, a prototype financed by the Government's National Board for Energy Source Development and developed by Swedyards Wind Turbine Systems Corporation, is one of the two largest wind power plants in tha world. Tho other is et Medicine Bow, Wyoming, the U.S.

Maglarp was erected last summer and is still undergoing tests. It is e 3 MW plant which under the wind conditions prevailing on the site should be eble to develop ebout 8m kw e year, enough to supply 2,000 families.

If successful, the prototype could lead to the serial production of wind power plants for e major wind power programme. The board reported last year that np to 10 kw of wind energy could be introduced into the power system at moderate extra costs. This would require well over 1,000 plants of the Maglarp type.

The Government will decide the future of the wind power programme together with its overall energy programme in 1985.

Developing the WTS-3 plant, as Maglarp is known, was e complex task involving excursions into unknown technical territory and tha project has not been without its problems.

Workshop tests revealed a number of problems, which were solved in the workshops but delayed the programme. The plant was due to be handed over to its own-, the Netional Board, in February, 1982, but the board now expects to take delivery in June. Tho plant will be operated by Sydkraft.

Since being erected, however, the plant has completed almost 400 hours of operation, including a 100 hour non-stop test, and the board is confident that the plant will function according to specifications.

The wind plant consists of three section, the steel-cylinder tower, the rotor blades, and the nacelle, which is the housing at the top of the tower for the gearbox, generator and transmission shaft.

Facing the lee side of the tower, in contrast to the blades of an old fashioned windmill, the rotors (of fibreglass reinforced with epoxy plastic, delivered by Hamilton Standard, a subsidiary of the American United Technologies) lean downwind et an angle of six degrees.

When they begin to rotate the centrifugal force pulls them towards the vertical, and, because they lean downwind, this tendency counters the pressure of the wind and rednces pressure on the blades themselves and on the tower structure.

Automatic

The rotor starts to turn at a wind speed of 6m per second and obtains maximum output at 14 m/s, cutting out (by a mechanism which feathers the blades edge-on to the wind) at 21 m/s. The rotors rotate at 25 revolutions per minute, and the gearing steps this up to 1,500 rm.

The plant is designed for *fully-automatic*, unmanned operation. The nacelle houses a sophisticated computerised system responding to sensors which provide information about wind speed, rpm, hydraulic pressure and other factors. The process control unit monitors and activates the start, cut-in, and cut-out functions.

Group turnover in 1982: SKr 3.0bn.

Earnings (pre-tax): SKr 399m.

Return on capital employed: 11 per cent.

Dividend: SKr 9 per share.

Earnings per share: SKr 31.

Assets: SKr 8.36bn.

Equity: SKr 1.0bn.

Ownership: six South Sweden local authorities, 62.7 per cent of voting shares: Boliden 27.6 per cent: others 9.7 per cent. Number of shareholders, 4,000.

Power assets: 4,186 mw.

Total power supplied: 16,374 GWh.

Own production: 15,440 GWh (nuclear 11,123 GWh, hydro 4,146 GWh).

Three ways to improve coal-burning techniques

SWEDEN'S need to diversify out of nnclear energy and into coal over the next 20 years has placed it in the forefront of international efforts to improve coal-burning technology, and power production companies in sonthern Sweden are beavily involved.

For Sydkraft, the south Swodon power utility, three basic options have been identified for the coal-fired power stations which it is planning: conventional coal-burning and the use of sulpbur scrubber to remove the sulphur emissions; liquefied carbon technology, by which coal is mixed with water and injected into furnaces on the same principle as in oil-firing; or a completely new technology, still in the development stage, pressurised fluidised bed combustion (PFBC).

Two of the three companies in Sweden which are developing liquid carbon technology are based in southern Sweden: Fluid Carbon, e subsidiary of Sonessons, in Malmö; and Carbogel, a Boliden subsidiary, in Helsinborg. But it is tho PFBC technique which is causing most intorest at Sydkraft, because it has both tho highest energy conversion factor and tho lowest environmental impact.

Stal-Laval, tha Swadish turbine experts, bave worked together with American Electric Powor and Deutsche Babcock for the past decade to develop PFBC. Togother with Asea-Atom (which like Stal-Laval is a subsidiary of the Asea electrical engineering giant) it bas set up e full-scale component test facility for Sydkraft in Malmö.

Coal has found a new way to Sweden. Halmstead port can now handle large quantities of bulk goods through its new bulk harbour

This is the final development stage before building a commercial-sized power plant. "The results are promising so far," says Mr Ingvar Larsson, Sydkraft's coal combustion expert.

In a PFBC plant, a "bed" of sulpbur absorbents, limestono or dolomite, mixed with e small amount of coal, is "fluidised" or made turbulent by an npward stream of air and brought to combustion at 800-900 degrees centigrade. Gases from the combustion process are used to drive turbines and the heat can be used simultaneously for beating water (for district beating). Almost 100 per cent of tha sulpbur is absorbed in tha combustion process.

Skykraft will be taking the risks associated with all innovations if it chooses the PFBC technology for its planned 300Mw coal-fired power station. However, as Mr Larsson points out, the company has taken these risks before—with the introduction of Asea-Atom's boiling water nuclear reactors—and survived.

One of the other risks associated with PFBC is that a plant can only use coal and cannot be converted in an emergoncy to oil. This is one of the advantages of liquid carbon, which is a mixture of water and crushed coal with additives to stabilise viscosity and onhance combustion. Oil-fired plants can relatively easily be converted to liquid coal, and if nocessary converted back to oil.

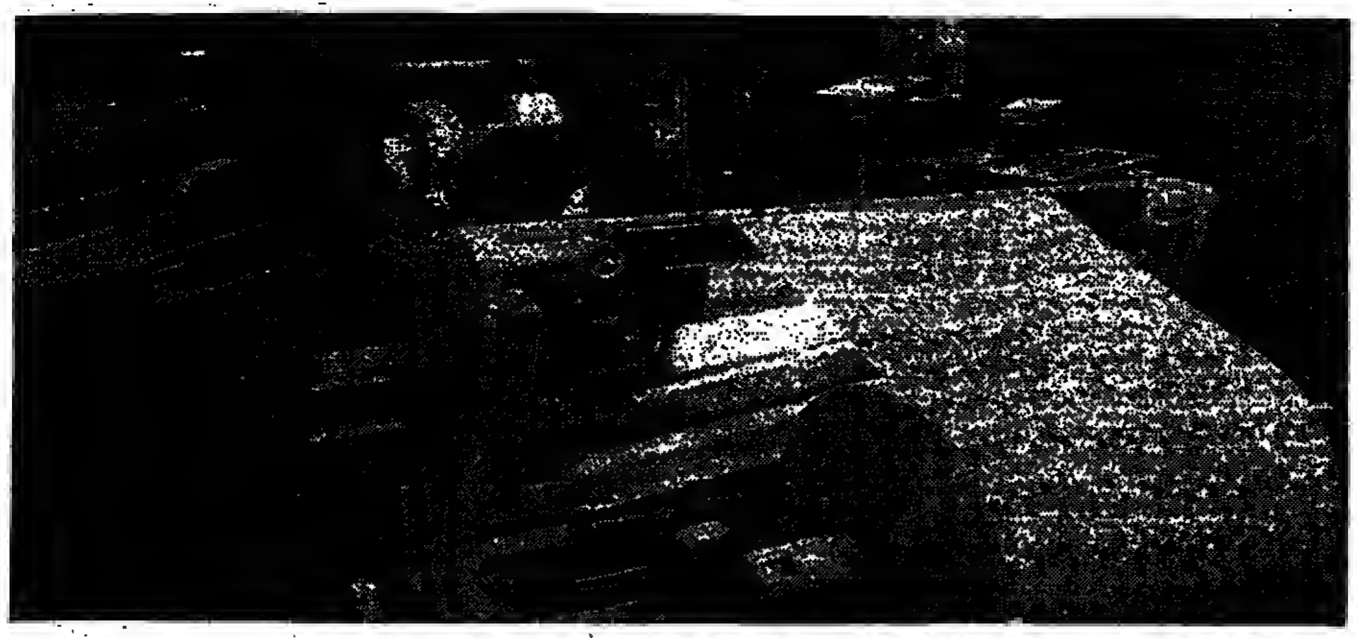
For smaller plants, not big enough to justify the expense of sulphur scrubbers, liquid carbon is an attractivo alternative, as, although there are still some sulpbur emissions, these are reduced by more than half compared with straight coal burning.

Fluid Carbon is now producing about 30,000 tonnes of liquid carbon a year and plans to increase capacity to 250,000 tonnes in 1984. Carbogel's plant basa n output capacity of eight tonnes an hour.

Both Fluid Carbon and Carbogel are convinced that the process bas an important export potential once the technology is fully developed.

Carbogel is building a pilot plant in Canada with financial assistance from the Canadian government. The potential market for conversion from oil is vast.

In Sweden Carbogel estimates that there is a potential for 2m tonnes of the fuel, but in the U.S. the potential market may be as large as 200m tonnes and perhaps 50-70m tonnes each in Japan and the larger European countries.



Tetra Pak machinery at work. By the end of last year the company had 4,550 machines installed or under production.

Packaging industry has strong trio

COMPANIES from southern Sweden have built up a substantial presence in the European packaging industry. In Tetra Pak the region has produced one of Sweden's fastest-expanding companies of the post-war period, which has grown to be the largest packer of liquid foods outside North America.

Still a privately owned company, Tetra Pak is hardly a household nama in Europe, but its innovations have bad a profound impact on the packaging and distribution of liquid foods, chiefly milk and milk products. It did not begin operations on a commarcial scala until 1952, but in tha space of 30 years it has grown to a turnover of SKr 9.3bn.

Last year it produced more than 34bn packages — roughly six per inhabitant of the world — for a sales network that is now operating in 88 countries. It has long time since outgrown its original parent company, Akerlund and Hausing, which is itself still a substantial Swedish packaging company operating chiefly in the non-liquid foods sectors and owned now by Swedish Match.

The trio of Skane companies in this sector is completed by PLM, a concern which also ranks as one of the largest European packaging companies with sales last year of SKr 2.8bn. After a number of lean years, PLM has restructured its activities, cutting out certain loss-making operations, and is moving on to the offensive with ambitious plans for expansion abroad.

Ulf Laurin, managing director of PLM: moving on to the offensiva with plans to expand abroad

Hans Rausing, chairman of Tetra Pak: seeking world domination in narrow segment

Vivid contrast

The two groups Tetra Pak and PLM provide a vivid contrast in corporate strategies and management styles with Tetra Pak wedded to the idea of dominating the world market in a very specific narrow segment, while PLM bas tried to spread its risks with involvements in a far wider range of activities. It is also one of the largest European companies in waste handling and even ventured into tha scrap metal business in Sweden during one stage of the 1970s.

Tetra Pak bas made an obsession of specialisation. As the company declares: "There are two ways of running a business. One is to have a wide manufacturing programme, to produce many different things. In this case you bedge your bets, but you also have to cope with short series and run the risk of not being really good at anything.

"The other is to make just a few products, to be strictly specialised, to know a great deal about a little. This gives long runs and puts you in a position to become so good at a few products that you can make an international impact."

It takes around 10 years and an investment of as much as $50m to develop and market a new type of package, claims Tetra Pak, so there is little room for failure in such a specialised approach.

Indeed the gilt on its success story has become a little tarnisbed in recent months wheu tha company was forced to give up one of its forms of packaging, a paper and plastic bottle for carbonated drinks, chiefly beer, which it introduced more than 10 years ago.

This product was abandoned when Tetra Pak bad to accept that the plastic raw material had simply become too expensive to support the package. But it showed too that even Tetra Pak could slip up when it strayed from its strict line of no diversification.

For the moment, at least, it has been forced to give up the carbonated drinks market.

Tha company has built its worldwide presence on developing packages for non-carbonated drinks, chiefly milk and juice.

The company took its name from the shape of the original container developed during the late 1940s, a tetrahedron (the shape formed by four equilateral triangles) which is still used today often in small sizes for products such as cream. More than threequarters of the packages produced today, however, are the brick-shaped Tatra Brik first introduced into commercial use in 1963.

The idea on which the company is based is that of forming a package from a continuous roll of plastic coated paper. The paper is formed into a tube and the beverage is poured into tha tube. Tha tube is sealed below tha level of the liquid resulting in cartons that have no air space. Tha process is continuous and offers certain advantages for hygiene, which make it relatively simple tu construct filling machines that operate under completely sterile conditions.

Shock-sterilised milk (UHT processed) can be packed aspetically so that it will keep for several months without refrigeration offering obvious cost-savings for distributors and retailers. It is such a process for packaging long-life milk that Tetra Pak is now using to spearhead its campaign to build a bigger presence in tha U.S. market.

Tetra Pak today comprises a worldwide network of conversion plants producing packaging material for dairies and other customers selling liquids, which range from fruit juices to wine, mineral water and edible oils. The packaging material is delivered in rolls for use in filling machines which are also supplied by Tetra Pak. The system is supported by a network of service stations. The group has 22 factories around the world, three of which are used for assembling machines. By the end of last year Tetra Pak had 4,550 machines installed or under production.

Long-life packages

Based on the number of packages Tetra Pak has still around 63 per cent of its sales in Europe, with 22.3 per cent in Asia, 6.5 per cent in the Americas and 4.8 per cent in Africa. Italy, Japan and West Germany are the largest national markets. It claims to pack no less than 40 per cent of all the milk and milk products consumed in Europe. About half of its volume is accounted for by long-life packages.

Tetra Pak was founded in 1951 by Dr Ruben Rausing, one of Swedeu's most successful post-war entrepreneurs and it is still owned by him and his two sons, Hans and Gad Rausing. The corporate headquarters has been transferred to Lausanne, Switzerland, but the technological heart and the service centre of the company is still in Lund. Around 2,000 of a 6,800-strong workforce are employed in Sweden.

By contrast to Tetra Pak's explosive growth in international markets, the Malmö-based PLM group did not venture abroad at all until 1969. In the space of three years it made three acquisitions in West Germany, Denmark and the Netherlands, all vital moves given the subsequent deterioration in tha Swedish market, where PLM has a virtual monopoly in glass and metal containers.

"Wa used the 1970s to get acquainted with new markets and to build up our organisation for working in four countries," says Mr Ulf Laurin, managing director. "We jumped into three countries and looking back this was asking a bit too much," he admits, "but tha opportunities were there."

The Swedish market has developed badly. Over the past 10 years the market for non-beverage metal and glass containers has virtually halved under the varied pressures of substitution through other materials, the development of frozen foods and changing consumer habits.

Under the continuing problem of poor profitability PLM has been forced to restructure its domestic operations with closures and disposals, while at the same time facing major investments in new plant in order to keep abreast of changing technology. By 1983 it is employing 1,500 people less in Sweden than in 1970. Only one of three glassworks remains and two of five can plants.

"We went abroad looking for size," says Laurin, "all our competitors around the world are mnch bigger. We needed a bigger basis because this means a lot for the size of development effort you can sustain for new products. We have tried to place ourselves in a few small segments of the packaging market internationally where we see the best chances for growth."

Home investment

At the same time PLM has had to invest beavily at bome to protect its canned drink market. Around SKr 230m was spent on a new aluminium can plant in Malmö, an essential step to stop the brewing industry from increasingly looking to imports to meet its packaging needs. This plant was a beavy burden on earnings in 1981, but last year with full operations it already began to pay handsome dividends.

The "two-piece" can technology employed at the plant has been acquired under licence from the Ball Corporation of the U.S. with which PLM is enjoying increasingly close links, even to the extent that Ball has acquired a 7 per cent equity stake in the company.

Ball is also PLM's partner in a joint 50/50 venture to build a two-piece can plant in West Berlin. The project is based on a long-term supply agreement with some leading West German brewers and soft drinks manufacturers. Tha DM 130m plant will have a capacity for producing 500-600m cans a year and will start production at the end of 1984. PLM has been opening up the West German market in the last couple of years with cans supplied from its Malmö plant, but these deliveries will be takan over by the new production unit in West Berlin.

In Sweden the future of PLM's aluminium cans had appeared to be under threat from the environmental movement, but the problem seems to have been removed by an agreement with the brewers and retailers to set up innovative recycling system. Cans will carry deposits—much like many bottles do today—and shops will be equipped with automatic recovery machines which crush the cans into bales and also give a refund to customers. The costs of the system should be covered by the scrap value of the recycled aluminium.

PLM is also setting great store for the future by the development of other packaging forms in plastic. It is already yielding some dividends from a research project to develop a large polyester bottle for carbonated soft drinks, and it has brought Metal Box of the UK into an allied scheme to develop more conventional sized polyester bottles for drinks and for wider applications in the food industry.

Intense rivalry provoked by plans to build a bridge across Oresund

Communications causing controversy

ON THE face of it communications to and from Skane for both the businessman and tourist are no great problem. Surrounded on three sides by water Sweden's southernmost province has a great abundance of ferry links connecting it to Poland, West and East Germany as well as its closest neighbour, Denmark.

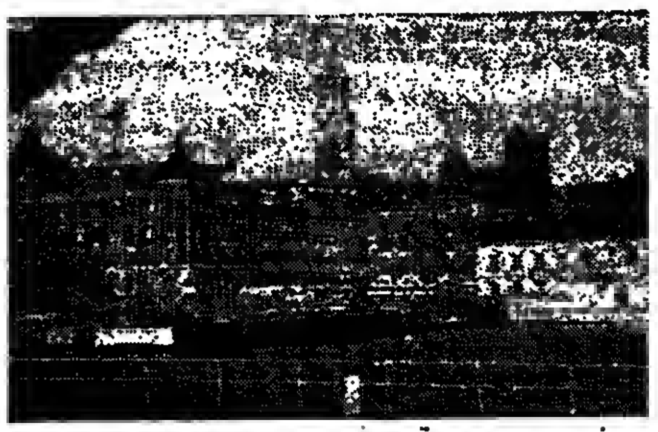
Skana's main city Malmö is separated only by the narrow straits of the Öresund from the Danish capital and in some respects — particularly entertainment and nightlife—Malmö functions almost as a suburb of Copenhagen. Hydrofoil services link the centres of the two cities in a journey lasting around 50 minntes and it is perfectly feasible to go over to Copenhagen for dinner if you are staying in Malmö on business.

Further north, ferry services from Helsingborg to Halsingor —Hamlet's Elsinor—provide tha main trade links between southern Sweden and Denmark for both road and rail traffic with services every quarter of an hour and the journey lasting only some 20 minutes.

For air travel Malmö does have its own airport, Sturup, which is located rather a long way from the city and of course there is Copenhagen's international airport on Kastrup, tha centre for air communications in Scandinavia. But that is where controversy over the region's transport communications begin.

Kastrup is tantalisingly close for the business community in western Skane, but there is still no quick way of getting there except by private helicopter, a means used by some of the biggest companies and banks in the area. There is a shuttla service from Sturup, Malmö's airport but that journey is lengthened by the 30 to 40 minutes it takes to get out to Sturup from Malmö city centre.

Sturup itself has no international services—apart from the shuttle to Copenhagen—and serves in fact only as a terminus for flights to and from Stockholm. Even air communications between the country's second and third cities—Gothenburg and Malmö — have to pass through Stockholm or Copenhagen.



Helsingborg: ferry services from the city provide the main trade links between southern Sweden and Denmark.

Lund Cathedral: one of the region's major tourist attractions.

Pressure on SAS, the Scandinavian airline system is about to yield a few hovercraft services operating direct from Malmö city centre to Kastrup, but the service will not be operational before May next year.

The most obvious solution to communications problems between Skane and Copenhagen would be to build a bridge across tha Oresund, but this project is one of the longest running controversies in the region, provoking intense rivalries between different cities. Discussions seemed doomed never to reach a conclusion. "You could build a bridge just with tha paper the project has generated," says one jaundiced observer.

Discussions

Plans bave been under discussion for at least 80 years. For many in the business community such a bridge would be welcomed because of the boost it is believed it would bring for export industries in the area. For some politicians the SKr 6bn project offers tha promise of badly needed jobs during tha construction phase and jobs too in the new industry that might be expected to set up in the region because of the improved communications.

Even among those who are for a fixed connection to Denmark there is disagreement, however, on whare e bridge or tunnel should be built—rivalry being most intense between Helsingborg and Malmö —and there is plenty of straightforward opposition, chiefly from tha environmental and egricultural lobbies. There are others who ask pointedly, what is the purpose of building a bridge just to an island?

Copenhagen after all is on the island of Zealand and in Denmark itself there is just as much controversy about whether a bridge should be built ecross the Big Belt dividing the main Danish islands from Jutland and continental Europe.

A bridge across the Öresund appears to be just as possible a project to realise as a tunnel under the English Channel. "Skana has a marvellous position as a stepping stone to Europe, but this is not really exploited," says Bo Ahnebrink, a bank executiva and former transport specialist at the Skana chamber of commerce. "Peopla have a feeling that Europe is drifting away from us. I think we will have a link eventually, but eventually can very well be the year 2,000."

Action taken to compensate for dwindling domestic market

Constructors expand abroad

AMONG THE most important natural resources available in Skane are large deposits of limestone. The deposits, which are still worked today, provided the early starting point for the construction and building materials industries.

Since 1969 the Swedish construction market bas shrunk uninterruptedly. In 1970 Sweden had 24 cement kilns, but today two are enough. The number of bousing starts has fallen from 107,000 in the peak year of 1968 to fewer than 40,000 last year.

The cement industry was the second largest Swedish industrial sector after the textiles industry to be forced to make drastic structural changes. "It happened in the beginning of the 1970s, before the Government began to dole out subsidies to industries that faltered," say Mr Sten Lindh, until last year chief executiva and now chairman of the Euroc group, Sweden's largest building materials concern and its only cement producer.

Dependant

During the last 10 years, the previously totally Swedish-based and Swedish-oriented Euroc has been developed into an international industrial and trading group.

"Peopla ask me wbat Eurco would be like financially if we had the same structure today that we had in 1973," says Lindh, formerly Sweden's ambassador to the European Community in Brussels. "I aay that with the same structure as in 1973, wa would never hava lived to see 1981. We would have disappeared or fallen apart long ago."

It is still dependent on building materials for around 45 per cent of turnover — sales of the group reached SKr 4.2bn last year — bnt this is a far cry from the end of the 1960s wben this sector contributed around 75 per cent of sales. At the same time the growing internationalisation of the company — a trend shared by so mnch of Swedish industry — has pushed sales abroad to around 52 per cent compared with only 25 per cent in 1969.

In the late 1960s Euroc — it only gained this name in 1980 having variously been called Skanska Cement and Cementa in earlier years — consisted of four product groups: the cement and limestone group; the Ifö group making chiefly sanitary ware, such as toilets, sinks and ceramic tiles; the building materials group with products sucb as aerated concrete, gypsum board and concrete components; and miscellaneous prodncts such as concrete vibrators and rollers.

The picture is very different today. All bnt two of tha cement plants bave been closed or sold, as have all but one of the aerated concrete plants in Sweden, the prefabricated buildings plant, concrete plants and asbestos cement factories. In addition last year most of the Ifö sanitary group was sold to Wärtsilä in Finland, leaving Euroc only with an interest in Ifö Electric, fuses and insulators.

The largest singla division in the group is now represented by the engineering activities of Dynapac, though here too Euroc bas run into troubles with a dramatic collapse in profitability in the second half of last year. Its performance was hit suddenly by the substantial decline in the world market for construction machinery, a fete it has shared with most of its rivals in Europe and North America.

Operating income from the Dynapac division slumped to just SKr 2m last year from SKr 106m in 1981. In the process the earnings after net financial items of the entire group were depressed from SKr 171m in 1981 to just SKr 77m last year. In response to these problems Dynapac has had to lay off around 450 people, chiefly in the U.S. and Brazil, cut back production in order to reduce bloated stock levels and put pert of its workforce on short-time working.

Of Enroc today, engineering products account for around 38 per cent of sales, electrical materials, trading and new operations for soma 17 per cent and building materials for 52 per cent.

Uneven

On the engineering side Dynapac manufactures compsction equipment, asphalt machinery and concrete and industrial vibrators. The sudden plunge in the fortunes of this part of the group means that Euroc is today searching for a partner in the construction machinery sector to help it carry the burden of competing on world markets, wbere it lacks the critical scale.

Other engineering products include materials handling systems and automatic guided vebicles. Operations of this division are aimed at the sale of automated handling systems controlled by computers.

Perhaps tha most atriking part of the process of rationalising production in Sweden, while expanding overseas has come in the old core of the Euroc operations, cement. The cement industry worldwide was hit hard by the sharp rise in energy costs and changes in technology during the 1970s.

The result for Euroc was that it embarked on a big investment of around $150m in a new cement plant on the island of Gotland, from wbere it is now capable of meeting much of the Swedish market's demands with production of more than 2m tonnes.

In addition, however, it took tha big step in late 1981 of moving into the U.S. cement market with tha acquisition of Continental Cement—a 51 per cent share—bringing it a 600,000 tonnes a year cement plant in Hannibal, Missouri along with terminals on tha Missouri and Florida's Atlantic coast.

Alongside Euroc in sonthern Sweden is Skanska Cementgjuteriet, tha country's biggest construction group and ona of Sweden's most profitable enterprises with a growing portfolio of interests that often make it look as much an investment company as a building group.

Skanska is another exampla of a child outgrowing its parent. In was founded in the late years of the last century by what today is the Euroc group, but Skanska is now nearly three times larger. In the beginning of the 1970s Euroc owned a one-third stake in Skanska, but today the roles are reversed, with Skanska owning around a quarter of Euroc.

Skanska had a group turnover last year of SKr 11.7bn, compared with SKr 1.2bn in 1981, but profits (before transfers to untaxed reserves and tax) of SKr 1.25bn, a dramatic jump from SKr 559m in the previous year.

Tha company'a earnings performance tends to be uneven because of the irregular timing of major construction project completions, and last year's figures were boosted by the booking of a large volume of foreign assignments.

The group has expanded overseas significantly in the past 12 years. Around a quarter of its building volume now comes from foreign contracts.

Its dependence on foreign work is still considerably less than that of many of the big European international construction groups, however.

Foreign contracts have included an irrigation project in Peru, building subway tunnels in New York City, a harbour in Saudi Arabia, a botal in the Soviet Union and a bydro power plant in Tanzania. Skanska leans on Sweden's long traditions of neutrality and nonalignment to open doors for it to bid for work in most parts of the world.

Among major projects recently completed was tha redevelopment of the port of Jeddah and the building of Tabuk garden city with 2,000 villas in Saudi Arabia.

Other major projects include a $300m hotel and tourist village complex in Libya—outside Sweden, Libya is Skanska's biggest market—a hydroelectric scbeme in Sri Lanka and irrigation and hydro electric schemes in Peru. Like its competitors internationally Skanska is being affected by the fall in work available in the oil producing countries, bnt it is finding new work in the Far East with Indonesia opening up as an interesting market.

Togather with Balfour Beatty of tha UK Skanska has won a $500m contract to build a hydroelectric scheme at Mrica in Indonesia.

Skanska chiefly competes from its home base in Sweden in foreign markets but it has bougbt two substantial minority stakes in North American companies in the last three years to belp it compete in the U.S. and Canada. A year ago it purchased a 49 per cent stake in the New York company Koch for $25m and two years earlier it spent Can$125m buying a 48 per cent interest in Foundation in Canada. Together with Foundation it has since won a Can$150m contract in British Columbia.

Big profits

The pattern of work overseas appears to be changing more towards basic projects such as harbours and power plants and away from schemes such as hospitals and hotels but the work remains highly profitable. "Where there are big profits there are also big risks and if you make a mistake the losses can be too big," says Helmfrid, bead of Skanska's international division.

"In the home market you are fighting to survive. Yon have to cut all yon can to bid, because you have capacity that must be used." In Sweden the biggest jobs are the SKr 1.5bn rebuilding of the Swedish Parliament building in Stockholm and construction work for tha final reactors in the Swedish nuclear programme.

The average contract in Sweden is only SKr 5m, however, and Skanska is willing to take on very small jobs in order to keep its worklosd.

Skanska has invested a lot of the surplus profits from its construction activities in property and in a growing share portfolio which includes sizeable stakes in gronps such as SKFm and Sandvik as well as Eurec. "Even though we have some traces of being a bank, we are still contractors figbting for a small job trying to get one krona out of it," insists Mr Göran Lidström, director for pert of the group's domestic operations. "We will never lose onr feel for wbere the money comes from."